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NATIONAL BUSINESS REVIEW

Fourth Estate lines up viewdata service for business community



Reg Birchfield, comprehensive communications link.

FOURTH Estate Holdings Limited has registered a new company to promote a business viewdata service in New Zealand.

The company this week revealed that it has been working on the development of a business viewdata service for the past two years. Fourth Estate will operate the service through a new \$500,000 capital company, New Zealand Viewdata Systems Limited.

"There is no one in New Zealand who has done as much work on the development of a national business viewdata service as we have," Fourth Estate's managing director Reg Birchfield said last week.

The future of viewdata services in New Zealand is presently in the hands of the Cabinet Communications Committee which is studying a report handed in earlier this month by the Communications Advisory Council.

According to the confidential newsletter, *Trans-Pacem*, Prime Minister Rob Muldoon is "taking a keen interest in proposals to introduce viewdata systems to New Zealand and has indicated he wants to be present when the Cabinet committee discusses the recent report presented by the Communications Advisory Council."

In discussing Fourth Estate's viewdata service, Birchfield said that only the business market would be interested in viewdata for the next three to five years.

"As far as we are concerned, the emphasis should be on quality and depth of information rather than on providing a superficial and general coverage," he said.

"Our proposal will, in the short term, require a minimum of Post Office financial and personnel commitment, and should avoid any overloading of present facilities."

Birchfield said there were no basic differences in the relationship required between the Post Office and computers than already existed, but it was obvious that the Government had been asked by the Post

Office to approve the viewdata concept in principle.

Fourth Estate's service would not require significant amounts of overseas funds to establish. Also, the company was not committed to large royalty repayments to overseas software suppliers, Birchfield said.

"In fact, adoption of the right policies could allow this country to develop some export trade from a viewdata operation."

"But as far as we are concerned, one of the most useful developments of our viewdata service would be the establishment of a national communications network for the Stock Exchange."

"We feel that our system could provide a comprehensive and inexpensive communications link between the various stock exchanges, brokers and the business community," he said.

Birchfield pointed out that a business viewdata service would improve the efficiency of many companies. "People talk about employees being displaced, we don't see that," he said. "Quite the contrary. We see viewdata assisting companies to be more efficient and therefore providing more job opportunities."

Fourth Estate is in a position to offer a national viewdata service within a short period of the Government giving the go ahead. (The Government's approval of the viewdata concept is necessary before the Post Office will type-approve the equipment needed to offer a viewdata service.)

"We know of no one else in the market who could offer a service this side of Christmas," he said.

"Many large companies have already approached us and expressed an interest in being involved in providing information to a viewdata service or subscribing to one as soon as it is available," he said.

Fourth Estate already has a large database of public information which it gathers for

as far as we are concerned there is no intention of publishing anything that is not already public information," he said. "Obviously, the Government will provide guide lines to prevent accessing private and classified information."

"The advantage of viewdata is that information can be distributed more efficiently," he said. A viewdata service will provide information to any part of the country rapidly and without heavy use of energy.

Birchfield said one of the viewdata advantages was that it provided an opportunity for smaller organisations and individuals to become involved in the communications business. Viewdata could decentralise the communications function very nicely, he said.

"Large established publishing or broadcasting organisations may not necessarily monopolise the space in electronic communications industry of the future," he said.

So far as Fourth Estate was concerned, competition in the fledgling viewdata industry was essential. "It is basic to our strategy that no large interest groups should be allowed to control the development of the viewdata market any more than should the Government," Birchfield said.

"We see that it is quite possible to encourage high quality services by dispersing rather than concentrating ownership."

The only other group to express an interest in providing a viewdata service is a consortium of large publishing companies working with a South Island-based computer services operation.

Computer Bureau Limited, Wilson & Horton Limited, Independent Newspaper Limited, The Christchurch Press, Group Remot Limited and Fisher & Taylor Limited are expected to launch a \$500,000 market study which they expect to complete by about September.

The best tobacco money can buy



Pig farmers squeal

STRENGTHENING prices in the Waiuku served pig farmers' bacon last week as the Government backed down on a promise to support the Pork Marketing Board's price stabilisation scheme.

The board wanted \$1 million to buy unwanted pigs hit the Government only offered to guarantee a \$500,000 loan from the Bank of New Zealand.

Since March 10 the board has spent its reserves of \$1.25 million propping up the schedule price, first at 135c a kilogram and later at 135c.

Last week the money ran

out and farmers in Marlborough were left with pigs they could not sell.

The problem started last year, when processors got their Christmas forecasts wrong. Pigs were in short supply and the price was rising. In Canada the reverse was true.

Sensing a shortage of Christmas hams, the processors went on a buying spree ordering, according to the Statistics Department, 36 million worth from Canada and smaller amounts from Australia and Ireland.

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NZ delays games decision

PRESSURE is mounting for Olympic committees to boycott the Moscow games with the withdrawal of West Germany and the deadline for entry list approaching. So far only two major Western nations have opted out. The Netherlands, Italy, Ireland, Belgium, Austria, and Sweden will send teams. The New Zealand Olympic and Commonwealth Games Association delayed a final decision until Thursday.

TWO Australian television channels have decided to screen the controversial film *Death of a Princess* despite Government disapproval. Television One has yet to make a decision.

CHINA wants a joint-venture pulp and paper mill in New Zealand using 200,000 tonnes of timber a year. But the Forest Service is doubtful if there is that much surplus forest available. The deal could be worth \$300 million.

SINCE Saudi Arabia put up the price of its oil by \$US2 a

barrel two weeks ago Indonesia, Libya, Algeria, Iraq, Kuwait, Venezuela, and the United Arab Emirates have followed. The increase has taken the average posted price of OPEC oil to \$US31.50 a barrel (\$US25.50 last December and about \$US13 in January 1979).

An International Energy Agency report suggests higher prices are likely as Opec cuts production and the Communist bloc, now supplied by Russia, becomes a net importer.

CHINA test-fired its first and second long-range intercontinental ballistic missiles into the central Pacific Ocean. The missiles were unarmed.

SOVIET leader Leonid Brezhnev and French President Valéry Giscard d'Estaing met at a hastily convened summit in Warsaw. Differences over the Russian intervention in Afghanistan were unresolved.

RADIO New Zealand made its biggest profit for 20 years, underfoot to be in excess of \$500,000 in the 1979-80 financial year after suffering losses of \$2.8 million in 1975-76 and \$1 million in 1976-77.

THE Meat Producers Board is to open a representative office in Saudi Arabia.

THE Fann Workers' Association, threatened by apathy, was saved by 1300 new members: it has paid all its bills and has about \$4000 invested.

A NEW high-capacity trans-Pacific cable is to replace the present Commowest and Pacific (Compa) cable, which reaches the end of its design life in 1983. New Zealand will pay \$40 million of the expected \$300 million cost. The new cable, to be known as Anzac, will link with Australia-Norfolk Island, Fiji, Hawaii and Canada.

TWO men are facing criminal charges in the Wellington High Court. The trial is subject to an interim suppression order barring publication of the proceedings and all details of the case.

MAORIS will be compensated for land confiscated after the battle of Gate Pa Tauranga in 1864. About 3.2 million acres of Maori land were confiscated, and about 1.3 million acres later purchased or returned.

INDUSTRIAL disputes in 1979 totalled 516, the second highest since World War II. And workers lost a record \$12,621,300 in wages. There were 562 stoppages in 1977.

UNEMPLOYMENT figures jumped 791 from April 18 to a total of 28,801 on May 2. On April 18, another 19,391 were in the temporary employment scheme payroll.

AIR New Zealand is introducing \$199 and \$299 round-New Zealand airfares for overseas visitors similar to those now offered by United States airlines. At the same time airfares to the United States are being raised 8 per cent and those to Britain 17 per cent.

COMMUNITAL proceedings in the "Mr Asia" drugs murder trial began in Christchurch. Three New Zealanders are among the 12 charged.

The business week

Mosgel Ltd lost at least \$4 million in the 10 months to April 30, the receivers report.

ed to debenture stockholders last week. The probability of continuing losses "will clearly make it difficult for the company to continue to trade", receivers Messrs Anderson and Tomkins said.

Debenture stockholders are expected to meet early this week in Wellington to discuss the position. In the meantime, the receivers said, the Government was being kept fully informed.

ANZ Banking Group (New Zealand) Ltd reported a consolidated operating profit of \$65,872,000 for the half-year to March 31, an increase of 32.4 per cent. An interim dividend of 12c is payable on July 4.

Autocraft Holdings Ltd reported a net tax-paid profit of \$1,215,000 for the year to February 29 (\$287,000 last year). A final dividend of 11c is payable on June 27.

Christchurch Gos, Cool and Coke Co Ltd reported an audited tax-paid profit of \$345,948 for the year to March 31 (\$201,215 last year). A final dividend of 10c is payable on July 15.

The Christchurch Press Company Ltd reported a net tax-paid profit of \$609,420 for 1980 (\$379,313 last year). A final dividend of 7.5 per cent is payable on June 26.

Dingwall and Paulger Ltd appointed M J Andrew as managing-director.

Firestone NZ Ltd reported an unaudited tax-paid profit for the half-year to April 30 of \$1,599,062 (\$1,468,655 last year). An interim dividend of 7c is payable on August 22.

Grisvener Properties Ltd reported an unaudited tax-paid profit of \$311,083 for the year to March 31 (\$604,667 last year). A dividend of 4c is payable on August 11.

Hooling Industries Ltd reported an unaudited tax-paid profit of \$3,097,777 for the year to March 31 (\$1,077,000 last year). A final dividend of 5.74c is recommended.

Independent Newspapers Ltd reported an audited tax-paid profit of \$2,596,773 for the year to March 31 (\$1,404,570 last year). A final dividend of 8c is payable on July 23.

Motor Holdings Ltd reported an unaudited tax-paid profit of \$2,919,654 for the year to March 31 (\$1,211,100 last year). A final dividend of 10 per cent is recommended.

Progressive Enterprises Ltd reported an audited tax-paid profit of \$3,204,000 for the year to March 31 (\$2,515,000 last year). A final dividend of 6.5 per cent is payable on August 15.

Regina Confections Ltd reported an unaudited tax-paid profit of \$73,468 for the year to March 31 (\$52,659 last year). A final dividend of 6 per cent is payable on August 31.

Tesmen Pulp and Paper Company Ltd reported an unaudited consolidated net profit of \$27.7 million for the year to March 31 (\$7.2 million last year). A final dividend of 6c is payable on August 1.

Taylor's Drycleaning and Laundry Services Ltd reported an unaudited group tax-paid profit of \$163,000 for the year to March 31 (\$167,000 last year). A final ordinary dividend of 8 per cent is payable on August 19.

Teltherm Industries reported an unaudited tax-paid profit of \$499,833 for the year to March 31 (\$359,833 last year). A final dividend of 9 per cent is payable on July 28.

Welgus Holdings Ltd reported an audited profit of \$10,150,000 for the 15 months to March 31 (\$A12,167,000 last year). A final dividend of 7.5c is payable on June 18.

Australian Consolidated Industries Ltd reported an audited tax-paid profit of \$A14,924,000 for the year to March 31 (\$A12,167,000 last year). A final dividend of 7.5c is payable on August 29.

The week ahead

Monday: NZ Refining Co. annual general meeting, Wellington.

Final day of the Zealand Radio, TV and Electrical Retailers Association conference in Rotorua.

Tuesday: Catchment & National Conference in Christchurch North.

Wednesday: New Zealand Society of Farm Managers seminar in Napier.

Thursday: Massey University Farmers meeting at Te Anau.

Friday: NZ Institute of Quantity Surveyors conference in Rotorua.

Exchange Rates

As at May 22 1980 NZ\$

Australia	1.10
Britain	1.10
Canada	1.10
Fiji	1.10
Japan	1.10
West Germany	1.10
United States	1.10
Austria	1.10
Belgium	1.10
China	1.10
Denmark	1.10
France	1.10
Greece	1.10
Hong Kong	1.10
India	1.10
Italy	1.10
Malaysia	1.10
Netherlands	1.10
New Caledonia & Tahiti	1.10
Norway	1.10
Pakistan	1.10
Papua-New Guinea	1.10
Portugal	1.10
Singapore	1.10
South Africa	1.10
Spain	1.10
Sri Lanka	1.10
Sweden	1.10
Switzerland	1.10
Western Samoa	1.10

INDUSTRY CO-OPERATION PROVIDES SALARIES AND FRINGE BENEFIT MONITOR

Over 550 New Zealand companies now pool their salary and fringe benefit information to provide mutual information on salary trends in various industries. The scheme, known as the Industry Co-operation Provides Salaries and Fringe Benefits Monitor, provides data on salaries and fringe benefits for individual staff members. The data is used to monitor the range of industries.

Also included are a series of studies of salary trends, benefits, an analysis of New Zealand companies and their executive turnover, and a series of studies of the perspective of the New Zealand economy. A planning guide to salary surveys is on page 4 of the book.

Further information on salary surveys is on page 4 of the book.

Synthetics give carpet makers woolly problem

by Warren Berryman

AFTER liberalising import restrictions on synthetic yarn, the Government has threatened to prohibit the manufacture of cheap synthetic carpet from this yarn.

Nylon will be taken off import licence from July 1. A gentleman's agreement between carpet manufacturers not to make synthetic carpet here, and there is an industry to industry agreement with the Australian carpet makers not to export synthetic carpet.

From July 1 it would be, theoretically, possible for any carpet manufacturer to start making nylon carpet. One is Stevens Bremner — is not a member of the Manufacturers' Association and not bound by the gentleman's agreement.

Stevens Bremner has \$6 million tied up in a Millitron dyeing machine. Designed to dye synthetic carpet, the Millitron is dying wool carpet. The enormous production

capacity of this machine has never been fully utilised. Stevens Bremner would like to make synthetic carpet — and host the Millitron's throughput if Government would let it.

The Wool Board, which sells 80 per cent of its local wool in the carpet industry, is very concerned about local production of synthetic carpets.

Carpet manufacturers have received a letter from Trade and Industry Minister Lance Adams-Schneider saying that the decision to liberalise imports of nylon yarn was intended to stimulate apparel manufacturers by reducing their raw material costs and not to promote synthetic carpets.

"I can assure you we are prepared to take whatever steps necessary to prevent New Zealand manufacturers commencing production of synthetic carpets," he said.

With the exception of Stevens Bremner, no manufacturer wants to make synthetic carpet. Manufacturers said that if anyone started making synthetic car-

pet they would be forced to follow suit. The prime consideration is the growing cost-consciousness of the local consumer. Wool yarn costs about \$3.80 a kilo, nylon costs \$2.80. Overseas, where consumers have a choice, well designed wool carpets slot into the top end of the luxury market. Synthetic carpets, of varying quality, fill the lower ranges.

Local manufacturers are making mass-market carpet from an expensive raw material—wool. While a well-styled, well-made, wool carpet has few peers, a wool carpet made for the cost-conscious consumer is akin to junk jewellery made from pure gold.

If consumers were allowed synthetic carpet here, they could be bought for as little as half the price of a wool carpet.

Carpet industry sources claim the introduction of synthetics would be a disaster for the local industry. The scenarios portrayed by various manufacturers have two common points:

• If synthetics were introduced the bulk of the local market would turn to them for price considerations alone.

• This country could not hope to compete in the world market of synthetic carpet. Over supply and slack capacity in Canada and the United States led these countries to dump carpet at prices local manufacturers would be hard pressed to match.

If carpet manufacturers turned some of their efforts towards manufacturing synthetic carpet for the local market they could concentrate on styling wool carpet for the export market. It is in high quality wool carpet, made from indigenous resources, that New Zealand manufacturers have the marketing edge.

Stevens Bremner has been on the outer, with the rest of the carpet industry, ever since Government meddled in the market-place and granted that company an import licence for its Millitron, denying Feltes and Ull Industries an equal chance.

Any comment from the

carpet industry is likely to be tinged with feelings dating back to the Millitron affair which no one has forgotten.

Stevens Bremner is ready to go ahead with synthetic carpet, given Government approval.

There is little doubt the low-income consumer would benefit from cheaper carpet if approval were given.

Government is in a cleft stick. Not only is there the question of consumer interests versus the powerful Manufacturers' Federation but the Development Finance Corporation has its millions at stake as the backer of Stevens Bremner's Millitron.

The question now posed is: how does Adams-Schneider propose to placate the interest groups with controls while maintaining the ostensible drive to the "more market" economy desired by backbenchers and National Party stalwarts?

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The Week

Insurance industry strike averted by arbitration

WHEN National Mutual and Commercial Union decided to merge — shifting National Mutual's fire and general side to CU, and CU's life officers to National Mutual's — they published a glossy brochure titled *Partners in Progress*.

But one minor partner, National Mutual's fire and general staff, refused to be shifted which nearly precipitated the first-ever strike by the Insurance Workers' Union.

Management and union will sit down to "meaningful" talks before an independent chairman in Wellington today.

Commercial Union had a fire and general operation in New Zealand with about \$28 million a year in premium income and a life fund worth an estimated \$150 million.

Combined with National Mutual's \$350 million life fund, this puts National Mutual in the big league of \$500 million plus, alongside the AUP and ahead of Government Life.

National Mutual's fire and general employees were offered equal pay and graduated on their shift to CU's fire and general offices.

But management forgot one factor: prestige. Working for National Mutual, the employees were big fish in a small New Zealand puddle. Working for CU they were cogs in a foreign-owned company.

As the two insurance giants continued to sort out final details of the merger, the still-outed talking strike and the union was brought in.

The point made by National Mutual fire and general staff was that when they moved over to CU their employment contract with National Mutual was terminated.

Workers, they maintained, could not just be shifted like chattels from one company to another.

If their employment was terminated, they argued, National Mutual would have to pay them redundancy pay.

But National Mutual offered all employees jobs at equal pay at CU. So no National Mutual employee need be redundant.

But it was argued there was still a question of a compensation for loss of status.

In the end the employees argued that any employee not

wishing to work for CU should be allowed to declare themselves redundant.

All this started brewing some weeks ago.

First the staff wanted to hold a union meeting in National Mutual's offices — National Mutual refused.

Staff and union, then threatened to hold the meeting in the plaza in front of the offices — and call in the press, TV and radio to cover it.

National Mutual backed down and allowed the meeting to take place in the building. Union and management agreed that no one would talk to the media.

By that time Radio New Zealand was on to the story, asking questions of union and management. Union and management were left looking accusingly at each other wondering who broke faith and split the beans. Management began to modify its previous attitude to the staff.

Two weeks ago the staff were told if they did not make the move to CU's offices the following Monday as directed they would be sacked.

The union decided it was time to break the ban on talking to the media and opened up to reporters. The union planned a series of paid ads for the press publicising its members' situation, but they were not put into effect.

Management began to soften its line.

Monday morning came and the staff turned up at National Mutual's offices — not at CU's offices as directed.

An hour-long, well publicised sit-in was staged in the fire and general office. Then the staff moved on to their new offices at CU.

Management had already agreed to enter into discussions before an independent chairman.

Each of the fire and general employees received a letter from management stating that although they might work at CU's office they were still employed by National Mutual.

Management also withdrew the threat of sacking or suspension.

IBS investors won't recoup much — receivers

TOTAL indebtedness of the Palmerston North-based Land and Building Systems Ltd group of companies was \$6.6 million in August last year, when the companies were placed in statutory receivership.

A report from the statutory receivers and managers, Wellington accountants Bill Cowan and Denis Griffin, shows that \$2.7 million was owed under mortgages, \$600,000 to the participants in contributory mortgages, \$2.4 million in debentures, \$500,000 in unsecured advances, and \$400,000 to unsecured creditors.

The Land and Building Systems group was formed to develop and sell land. The secondary object was the development and promotion of a building system "known as IBS incorporating a process called Ribsel".

Cowan and Griffin say the group's financial predicament appeared to relate to the deterioration in the local property market, a severe lack of capital and "the effect of expanding huge sums on development expenditure from which there has been virtually no return".

"Since much of the property

was purchased, property values have remained static or depreciated while land development costs have skyrocketed," the report says.

"The situation in the property market has not improved during the period of receivership."

The report suggests there is little chance of investors recouping much of their outlay.

"The receivers intend holding discussions with mortgagees shortly, with the object of being able to deal with the land."

"However, it must be said that there is little prospect of many of the mortgages receiving payment in full and there are indications that heavy losses are probable," the report says.

"As some of the areas secured by the mortgages involve complex legal and survey problems, it could be years before purchasers could be found for them."

The prospects of a payment to contributory mortgagees will depend on the realisations of the land and the particular mortgage in which the contributory was involved.

"Indications are that most

contributory will suffer a loss," the report says.

The position of debentureholders, persons who made unsecured creditors is summed up when the receivers say the prospects of receiving repayment of investment or payment of other debt "is nil or, at best, only a token amount", although some unsecured creditors may be able to obtain some recovery by placing a lien or charge on land.

Cowan and Griffin say they investigated various options, but the only acceptable course is to dispose of the land in its present state.

"This will be done by either abandoning the mortgaged land to the mortgagees or disposing of it by arrangement with the mortgagees or charge holders. The proceeds from the sale of mortgaged land will be applied towards the costs of the receivership," the report says.

The group has three areas of land in Palmerston North, two in Wanganui near Wellington, and one in Ashburton, outside Palmerston North.

The properties have a book value of more than \$5 million, including amounts which have been written up on revalua-

tion, but are subject to mortgages of about \$3.3 million as at last August.

There are also prior charges for unpaid rates.

Interest is accruing on the mortgages, while the rates (which take priority over the mortgages) are accruing as a charge on the land.

Land tax may possibly be accruing in the same way.

A panel of experienced registered public valuers indicated that in their opinion the areas of land, other than one or two areas of little significance overall, are unlikely to be realised for the amount of the mortgages and the fixed charges.

The panel thinks there is unlikely to be any market change in the foreseeable future.

The group spent more than \$2 million on development expenditure on the IBS building system. The cost was financed by borrowing heavily against the security of land which was, in fact, the group's only tangible asset.

The receivers think the development expenditure on IBS may have been "on the level of a speculative venture".

They will continue their attempts to obtain some recovery from this source.

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Letters

Not worth patching up

YOUR Economics Correspondent in a series of articles in *NBR Outlook* for the 1980s currently states: "The economic machine is too far gone to be patched up any longer".

However, nothing more than strengthening of old patches is recommended. The Correspondent's basic acceptance of present orthodoxy, which one side of his thinking knows is inadequate, is shown by his whole discussion of the history and present position of the New Zealand economy.

His recommendation is "The lessons of the 1970s are for more moderate use of monetary and fiscal policy following a more gradual, integrated approach". Fiscal and monetary policy is used as attempted cures of maladjustment symptoms arising from a fundamental fault in our mixed economy. Social Credit funny money proposals to cure what they claim is a purchasing power gap is very like new orthodox Keynesian deficit financing fiscal policy. Both of these halfway sense what is the fundamental fault of our system. The supposed cure inevitably leads to accelerating and compounding inflation without correcting the fundamental fault.

NEW ZEALAND SALARIES FALL FURTHER BEHIND AUSTRALIA

In the last twelve months, Top Executives in New Zealand have seen the value of their salaries in absolute terms fall well behind those in Australia.

Australian Senior Executives in such functions as Marketing, Finance, Personnel, Manufacturing and Engineering generally receive salaries of between \$40,000 - \$60,000 greater than New Zealand.

The picture also changes markedly if the different rates of inflation are taken into account. In New Zealand prices rose by 8.4% in the year, almost double the rate of increase experienced in Australia.

These observations have been obtained from data in the latest P.A. Greenwood Salary Survey, which is conducted twice a year simultaneously in Australia and New Zealand.

Further information on the survey is on Page 4 of this issue.

Two large a fraction of purchasing power is channelled into the control of centres of power and wealth, governments, institutions, corporations and a few excessively wealthy families.

These centres of wealth and power use a substantial part of that excessive share of income to buy more concentration of power and wealth rather than in the purchase of goods, services and new productive and distributive capacity.

That part of the income at the top which does not buy real goods, services or new productive capacity is "invested" in greater concentration of power and wealth, greater advantages over the rest of the community, ever mounting indebtedness, larger property rights and so on.

That part of the national income is lost out of the Say's Law equation. Hence the need for deficit financing which is just a respectable name for funny money.

The early years of the 1980s will see inflation rates of 30 per cent, 40 per cent and on up per year.

We must come to an understanding of the fundamental fault of our system and begin to take the difficult and complex actions necessary to correct that fault. Otherwise before the end of this decade inflation rates exceeding 100 per cent per year will occur not only in New Zealand but throughout the whole world.

John R Perkins
Stabilised Ownership Ltd
Tauranga

Container handling

FACTS confirmed in talks with delegates from round the world who attended the April meetings of the International Association of Ports and Harbours at Brisbane make nonsense of Warren Berriman's statement (*NBR*, April 28) that: "New Zealand ports, with the best modern equipment, often move containers at only one-third the rate of overseas ports".

Performance in the final quarter of 1979 covering 33 ports in the United Kingdom, Europe, Japan, South East Asia, Australia, and New Zealand gives the lie to such an assertion.

During that quarter the four

New Zealand container ports are each credited with considerably better gross ship container handling averages per hour than eighteen of the four New Zealand ports averaged over 30 containers per hour, which is the standard means of measuring a terminal's efficiency.

Inaccurate statements such as that quoted mislead the public and discourage those of the workforce striving for better waterfront performances.

R T Lorimer
General Manager
Auckland Harbour Board

Consistent surveys

MY largely unpublished answer to Mr Moxted's claims regarding radio survey samples in Auckland (*NBR* April 7) outlined in considerable detail the very consistent patterns being obtained in terms

of age and sex characteristics. Ms Fitness's letter surprised me therefore especially by its being published when *NBR* had facts on hand which clearly showed her analysis to be wonky ... not the survey samples.

The Market Research Society investigates individual complaints when these can be substantiated and when they are addressed to it rather than through a letter to the editor column. We would be more than pleased to confront Ms Fitness in front of the Society's office holders, on this matter.

Ricard Todd
McNair Surveys Ltd

The need to build beds

TRAVELLING across the Tasman, I read the letter of Mr John Macfarlane, managing director of Lion Breweries (*NBR*, April 28).

Why I make the following

comments with regard to the Government offer to firms earning foreign exchange.

(1) They are similar, I believe, to that offered by Trade and Industry to manufacturers.

(2) The main effect will be (as is already evident), that hotel rates for overseas tourists will rise between 20-25 per cent this year, but because of the Government incentive rates passed on to the overseas tour operators in other countries, will increase by only 10-15 per cent.

With good fortune this could very well mean extra tourists to this country, whilst the hotel owners will receive a larger increase than they otherwise could have expected in their room rate.

However, I would go along with Macfarlane very much in his questioning as to whether the right incentives are being offered to hotel-owning companies to build more beds. Honolulu, Singapore, Hong Kong, Manila and even London have shown, that given

the right incentives, surplus beds produces a tremendous increase in the number of overseas tourists visiting almost any country.

The fact that these tourists spend money on not only food and drink, but also on a comparatively expensive way of earning foreign exchange.

I believe our hotel incentives are not doing the job, they are meant to do so, therefore they need changing. I am not a hotelier, so I cannot say how they should be improved, but I believe the Government association with hotel incentives should find out.

Duncan Hamilton
General Manager
Tour Operators
Atlantic and Pacific Tours

Answer

C T Reid (Papatoteke): YOUR reply to Colin James' article on state spending is long for publication on 2 page. — Editor.

When the purity goes out of the revolution

by Colin James

It is one thing to state a principle in the abstract, quite another to adjust practice to match the principle.

It is at the point at which this simple infuriating fact of life is discovered that all revolutions go sour.

So it is interesting to watch the National Party trying to keep the momentum going one year on from its great assertion of its fundamental commitment to private enterprise, "healthy competition", individual ownership, individual effort and initiative, thrift, self-reliance and efficiency.

Four main strands have emerged in the party's rediscovery of what it stands for:

- The reduction of Government bureaucratic regulation and control of economic activity;
- The elimination of

props to inefficient economic undertakings;

- The reduction of taxation — less for the (immoral) domestic purposes beneficiary, more for the (upright) citizen in a job;
- The breaking of collective union power.

Critics of the new mood in the National Party have had little trouble finding apparent contradictions.

Is it not, for instance, consistent with the principle of a Government hand-off stance to let unions and employers decide between themselves what wage levels should be?

Or, what is so individual-enhancing about the growth of corporate monopolies that a least interventionist Government stance would accelerate? If unions are bad because they are powerful collectivities that can impose their price on

society, why is not Watties equally bad?

There are two principal explanations for the contradictions.

One is that the new mood is in fact a collision of two sorts of attitudes:

- The backward-looker, with a wealth stake that would have been bigger if governments and unions hadn't interfered over the past 40 years. Essential approach — "Let our particular money machine get as big and strong as it can under its own steam. Undo all those things that have been done to stop it getting that big."
- The forward-looker, who can see dawning an age when the small operator can be king again because automation and other technological developments will undermine top-heavy corporate power.

The forward-looker wants the spirit of the New Zealander freed from the collective-oriented past to be all the better prepared to capitalise (definitely no pun intended) on the opportunities of the new age.

In the first, hard-bitten self-interest, understandably upsetting equally self-interested unionists. In the second, a tinge of the romantic: everyone a self-determining subcontractor, the withering away of the big collectives, unions and corporations.

Confusions arise over objectives because the two attitudes are not held by neatly separated, or even easily differentiable, groups, but instinctively intertwined. Their meeting point is taxation, which is the starting point of government intrusion. Concentrating on reducing government activity allows inconsistencies elsewhere to be overlooked (for



Ken Comber. "Yes, we want casinos, Ken."

example, big enterprises crushing small ones).

The second principal explanation for the apparent contradictions arises out of the impossibility of a pure revolution.

Markets, which are looked to by the new breed as a principal agent of the introduction of the new age, are in New Zealand at best imperfect and at worst non-existent.

And, as Hugh Fletcher has argued and the European Economic Community has in a different sense rammed home with its heavily protectionist sheepskin proposals (thus bearing out my at-the-time-discounted gloomy predictions in *NBR* in April, 1978), international trade is not exactly governed by Adam Smith's invisible hand, either.

So MPs, the political trustees of the new mood crusade, have been concentrating on the journey rather than the destination.

"Look what we've done already," they say. The longer an MP has been in Parliament the more he tends to emphasise the potlatch in the road.

Goofy Thompson, 18 months an MP, led discussion at the annual conference of the Wellington division of the National Party on "excessive government".

Thompson noted that "our recent party record is reasonable" — in other words, progress has been made. But he also lifted his eyes to the destination: "There is an enormous amount to be done — to reverse the strangulation of our society by over-regulation and control."

The rank and file roared their approval. Attempts by deputy divisional chairman Tom Cradock and 1975 MP Tony Friedlander to get delegates to face up to their own ambivalence in remarks were swept aside.

"You are dead wrong," said John Schnellenberg. "The National Party deep down is not ambivalent. The National Party is willing to bite the bullet. What is absent is willingness in the caucus to bite the bullet."

Undersecretary Ken Comber (1972) lumbered in to bring the troops to their senses with some examples from his field of internal affairs. Did they want community facilities programmes cut? Yes, they roared. Wildlife? Yes. Controls lifted over racing and gambling? Yes. Casinos? Yes. Advertising on Sundays on television? Yes.

It was heady stuff. Sticks in hands, pouring through the gates into the Bastille.

Down in the Otago-Southern division they do things more sedately. But the mood at their conference in Dunedin was unmistakably the same.

They did not even bother to debate a unanimously approved remit urging "more positive action" on previous remits "which boost private enterprise and decentralise the country, reduce state expenditure and support individual

savings and effort by significantly reducing both personal and company taxes."

There is a tempering factor — power.

A year ago the Prime Minister was getting frosty reception from the party for trying to drive in the wrong direction. Now they seem to have convinced themselves he is with them again — maybe not pushing hard enough on the accelerator, but at least being propelled in the right direction. That seems to be enough for them to kiss and make up until the next election is over.

At both conferences the Prime Minister was received warmly (even affectionately, almost). "Just like 1975," they were all saying at Palmerston North, ready to knock on doors for him next year till their knuckles are raw.

In Dunedin, they are more phlegmatic: "He's always gone down well here."

And he did. A clumsy, almost confidential, unpunchy talk amongst friends, a leader confidently at home, a vivid comparison with the twelfth scapegoat for the 1978 near-loss who was facing party audiences a year ago.

I might add in passing that there is looking better, too, fuller in the face and cheerier. I understand she has been much more outgoing and active on her own account over the past six months or so, less tied to rooming the shirts.

Perhaps that reflects in some way the changing roles of women in politics. Though that change is more evident in the Labour Party than the National Party, there are some signs of it.

Watch, for example, Jenny Simpson, a rural activist from Taranaki who is being promoted by the Wellington hierarchy.

Watch also for Nancy King, in Dunedin, leading woman in a division where women seem particularly in evidence, despite its legendary (and self-proclaimed) conservatism (for instance, King's title is deputy divisional chairman — none of this chairperson stuff there).

This conservatism has an almost unworried tone, as in the passing of remits calling for the industrial relations earth to go round the moon.

They wanted free bargaining, but automatic arbitration after a time limit and penalties for not complying. Fine in theory, but, as someone has recently pointed out, New Zealand doesn't have the armed forces to carry it into practice.

The conservative calm has also been disturbed by internal strife: personality clashes, resignations of prominent office-holders, public criticism of the Government, leaking of party documents, a demoralised membership in the affected electorate, Dunedin North.

Party chiefs down there assure me things are sorted out now and that it was all the doing of one disgruntled individual and had been blown out of proportion in the local paper, the *Otago Daily Times*, which printed a guarded article on April 16.

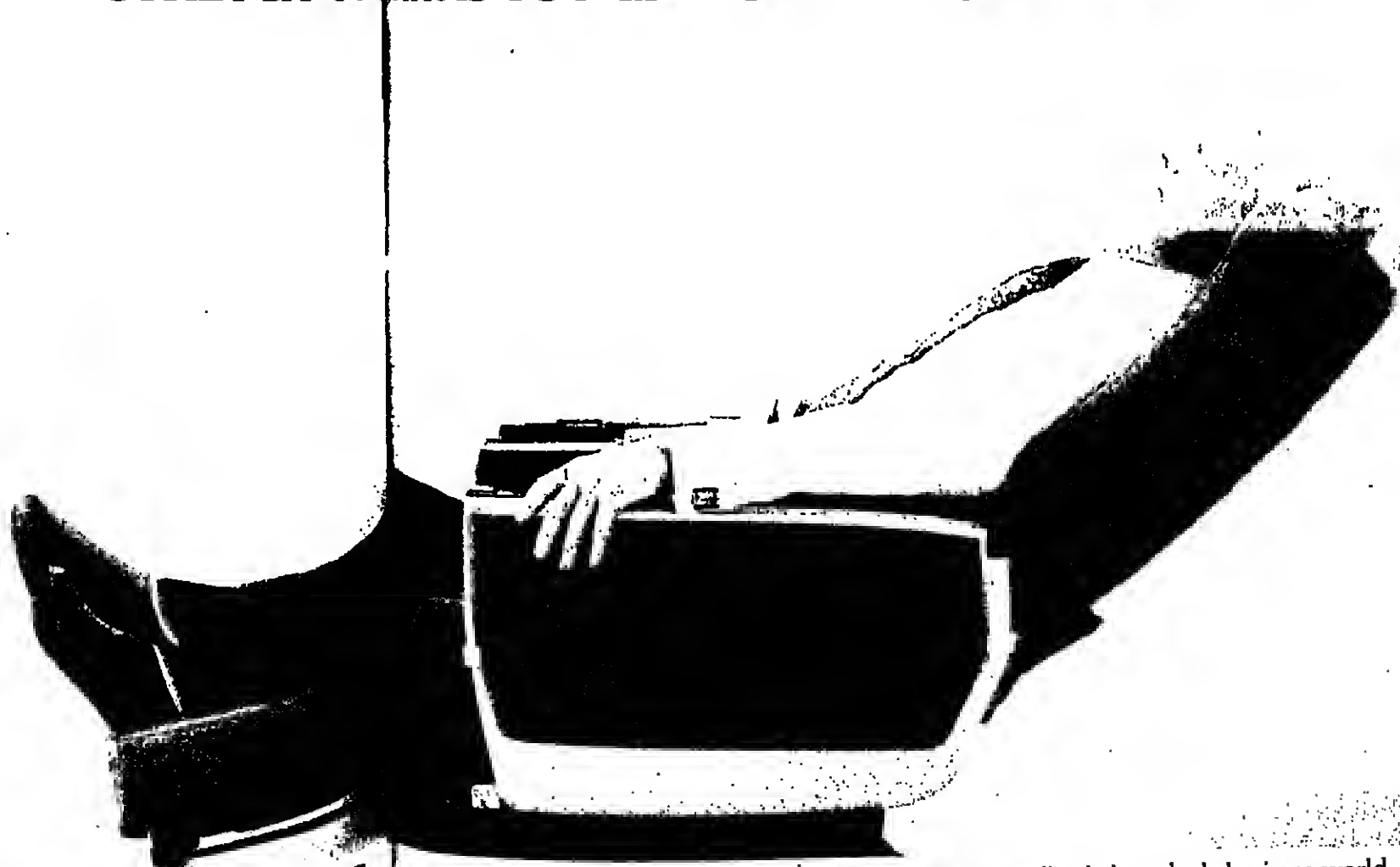
The *Times* reporter says there is more to come out yet. Take your pick.

On a brighter note, I have to report that Dunedin rose to the challenge of the Labour Party's big red apples.

"After-dinner minis," said a party notable, thrusting one into my clammy paw. "Have you ever seen after-dinner minis at a National Party buffet?"

I hadn't. One-all.

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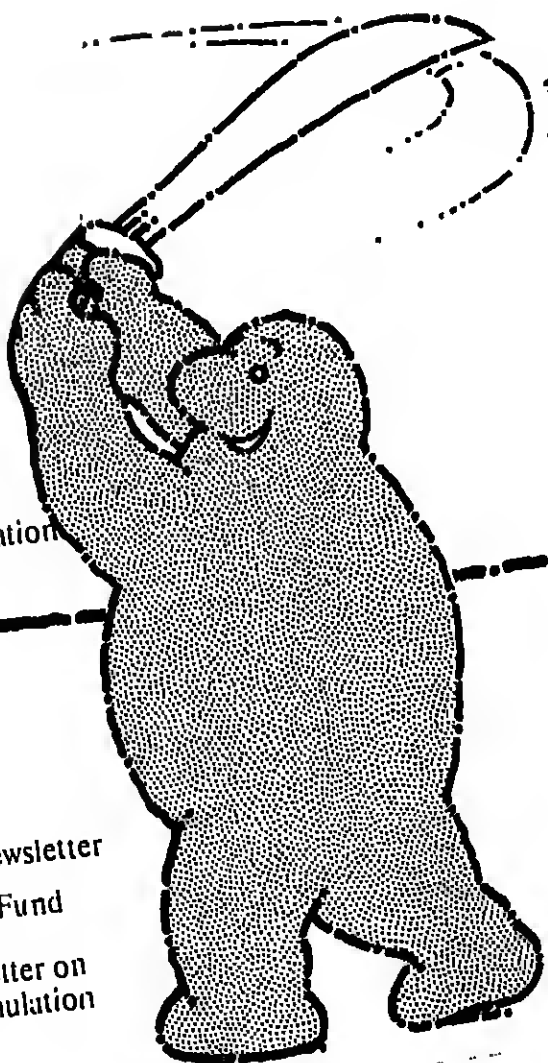


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Economy

Government misfires on Budget targets

Economist Correspondent

THE Government reduced its March year 1980 deficit by more than expected. According to the latest Public Accounts, the deficit before borrowing, turned out to be \$1027 million instead of \$1090 million forecast in last year's Budget.

This is not a sign that the Government's financial and economic management techniques have improved. The reduction in the deficit was as much the result of good luck as good management.

The table shows that what the 1979 Budget told us would be spent on certain functions and what was actually spent were quite different. Spending was nearly \$100 million above Budget in the case of administration and health. Budgets were under-estimated in the areas of debt servicing and developing of industry.

Apparently the Government knew it would spend more than planned, so \$400 million was allocated for supplementary expenditures. When supplementaries are taken into account, total public account spending was \$81 million less than budgeted.

Using the supplementary votes to hone in on a Budget target is more hit and miss than it may first appear.

While total spending is more likely to get close to the Budgeted figure, there is no way of telling whether spending on particular functions is within the original guidelines. Six months into the financial year, any department which is finding it difficult to live within its voted appropriation can ask for a supplementary appropriation.

The taxpayer does not know whether the Government intended to dish out these supplementary appropriations anyway or whether they became available because it was obvious that certain departments could not control their spending. The taxpayer, cannot tell whether the Government changed its objectives about the amount of fiscal resources to devote to various functions.

On the revenue side of the Public Account, the Government's financial aims were also hit and miss. Overall, total Budget revenue came within a shave of the estimate. Receipts for the year were \$6560 million, only \$18 million below the Budget target.

But the Government's ability to forecast individual revenue items is shoddy. It overestimated receipts from income tax, highways tax and motor spirits tax. These overestimates were almost cancelled out by underestimates of other indirect taxes and interest, profits and miscellaneous receipts.

If receipts from income taxation had been as high as predicted, the deficit would have been reduced by more than \$63 million. Income tax receipts were over-estimated by nearly \$100 million. Instead of collecting \$4560 million from this source, the Government netted \$4465 million.

This forecast of income tax receipts did not seem credible when the Budget was introduced in June 1979. It represented nearly a 25 per cent increase over the year before, one of the largest increases ever. The tax scale is not steeply progressive for salary and wage earners on above average incomes and the rate of tax was reduced in October for many of those in the middle income range.

Even if wages rose as rapidly as prices (18 per cent) fiscal drag was unlikely to push income tax receipts up by 25 per cent.

With deteriorating economic conditions, self-employed earners, companies and farmers with high terminal tax obligations may have taken steps to trim back their income tax bill for this financial year.

It should surprise no one that income tax receipts rose at the slower rate of 22 per cent.

Highways tax and motor spirits tax were down on the Budget forecast due to the decline in consumption of dutiable fuels.

The larger than forecast receipts from Government trading activities should not surprise anyone either. Charges for public services have risen substantially over the last few years and many trading departments are realising high profits or are in a position to pay more interest into the public account.

In 1977, 1978 and 1979 the Government's deficit outcome differed by over \$300 million from the Budgeted level. To complain when the difference is \$63 million may seem like nit-picking.

The budget deficit itself is only one indicator of the Government's ability to manage its affairs.

It is just as important to know what the Government aims to do and how good it is at sticking to promises.

The Budget exercise is about the only opportunity for public discussion of national objectives and what measures the Government intends to take to achieve them in light of economic conditions.

The current Government claims that one of its objectives is to cut back public sector spending.

In last year's Budget, the Government appeared to take its promise and prune the appropriation for administration functions below spending in the previous year. But this turned out to be only a sleight of hand, because an additional appropriation was voted with the supplementary estimates.

Spending on administration in March year 1980 actually increased by nearly 15 per cent over the year before.

Perhaps the Government could not control spending on administration. Or maybe it simply did not want the taxpayer to know what its real intentions were. A large proportion of administration spending goes towards wages and salaries and the Government would weaken its bargaining position by letting its employees know how much was appropriated for future wage increases.

Even if the Government showed a determination to clearly set out its fiscal objectives and stick to its Budgeted figures, it would be difficult to predict the effects of Budget measures well enough to assure that the outcome was the same as forecast. The amount spent and received from taxation depends on economic conditions largely outside the Government's control.

Progressive income taxes provide nearly 70 per cent of Budget revenue. In most years, increased revenue from this source is the result of wage inflation placing more earners in the higher marginal tax brackets. One of the main influences on the size of the Budget deficit is not a new Government measure, but existing policies influenced automatically by changes in national output.

During periods of slow economic growth, growth in real private incomes (incomes adjusted for the rate of inflation) may also slow, resulting in a smaller increase in income tax revenue. For the Budget deficit to reduce growth, real public sector spending must be decreased at the same time. This reduction in public sector spending during a period of economic decline is likely to contribute to fall in output. The net effect of a reduction in the budget deficit will be a withdrawal from private incomes.

Depending on the way the private sector reacts to changes in its real disposable income and real money balances, the Government's Budget transactions will influence aggregate demand and private sector credit. These in turn will influence the level of output.

Because of our dependence on trade, we have to learn to live with the economic fluctuations which originate outside New Zealand.

As economic conditions change, the Government may want to adjust its fiscal and monetary measures to stabilise activity.

To do so, it must be aware of the leads and lags in the economy's adjustment to a change of policy. As long as the Government

does not make the intentions of its policy explicit when the Budget is originally introduced, it is nearly impossible to assess the economic effects of measures with any precision.

If in the final analysis fiscal and monetary policy fails to bring about an improvement in economic conditions, the Government can always fall back on cosmetic accounting

techniques to make it appear that things are under control.

Getting the Budget deficit to within \$100 million of the forecast is a step in the right direction. It has made it possible for the Reserve Bank to follow a more consistent monetary policy. This may in the long run contribute to a reduction in the rate of inflation.

In itself this is not evidence that the Government is taking

its fiscal responsibilities seriously. There is a need for improved administrative control of expenditure and receipts.

For this control function to go deeper than cosmetic financial accounting, the Budget exercise must be elevated from a political event. If the Government's real intentions are made clear, economic tools could be more appropriately be applied.

	1979 Budget (1) estimate	Actual spending March 1980	Difference
Expenditure (net)			
Administration	586	692	+ 98
Foreign relations	414	451	+ 37
Dept of Industry	720	714	- 6
Education	931	1009	+ 78
Soc services	2162	2188	+ 4
Health	1040	138	+ 96
Transport comm	280	286	+ 6
Debt services and misc inv transactions	790	771	- 19
Sub-Total	6913	7205	+ 292
Supplementaries	400		-108
Misc financing transactions	355	382	+ 27
Total spending	7668	7587	- 81
Financed from			
Income Tax	4560	4466	- 94
Customs, Sales Tax, Beer Duty	990	1014	+ 24
Highways Tax	145	139	- 6
Motor Spirits Tax	182	178	- 4
Other Taxation	218	223	+ 5
Total Taxation	6095	6020	- 75
Interest Profit & Miscellaneous Receipts	483	540	+ 57
Total Receipts	6578	6560	- 18
DEFICIT BEFORE BORROWING	1090	1027	- 63

(1) These are the estimates at Budget night. Budget estimates are subject to revision when Supplementary Estimates are voted later in the year.



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Labour economics calls for state-stimulated growth keeping employment up

NBR: In the short-term you disagree with the Government's strategy. You feel there should be measures to stimulate growth in the short-term. Can you explain the basis for saying that and how you would intend to go about it?

Caygill: New Zealanders are being asked yet again to tighten their belts in the expectation that everything will be right by the late 1980s or 1990s.

Maybe it will, but maybe it won't. In the meantime the economy is virtually static; so is agricultural production in volume terms.

We are not persuaded that the problems in the economy of inflation and imbalance of payments are caused by excessive internal demand. Nor are they going to be solved by restraining internal demand.

To take a matter of particular concern, the comparatively low level of investment in New Zealand, our analysis is that this is not principally caused by tax problems and the essential solution to it is not to change the tax mechanism by introducing current cost accounting or what-have-you.

The solution to it is to improve the cash flow of businesses by expanding the economy so that there is more demand for their products.

The way we go about that is important because it is vital to avoid the further exacerbation of inflation and it's also important to ensure that ex-

panded economic activity does not flow too far through into increased demand for imports.

Basically, you intend to stimulate demand in the short-term?

Caygill: Yes. One has all sorts of definition problems and whether by "in the short-term" I mean six months or three years?

Caygill: Over that sort of total time frame, yes. The first overriding aim of the Labour Government will be to get the employment up.

There are something in the order of 300,000 jobs to be found over something like five to 10 years.

And you intend to do that by demand-led growth?

Caygill: Yes. You mentioned that you will need to ensure that inflation doesn't grow as a result and that the balance of payments doesn't get out of hand. How do you intend to handle each of these issues?

Caygill: Let's deal with inflation first. If our analysis is correct and the essential problem is not demand but costs, then we have to tackle costs.

Some of the most important cost increases that have contributed to the high level of inflation at the moment are precisely within Government control - for example electricity, where we have had a 300 per cent increase in the last five years.

The Government is a mar-

GROWTH and jobs are central to the Labour Party's economic strategy over the next three to five years.

So says the chairman of the party's parliamentary (caucus) economic committee, David Caygill. In the second and concluding part of an interview with Colin James on the party's economic strategy.

That strategy calls for Government-stimulated growth: "The first overriding aim of the Labour Government will be to get employment up," Caygill says.

Caygill argues that there is under-utilised capacity and that inflation at present is being driven up by costs, not pulled up by demand. Thus, he argues, Government-stimulated growth, coupled with controls on intrastructural costs like electricity, need not lead to inflation.

He argues that there are mechanisms available to ensure that such stimulation would not wreck the balance of payments.

ket lender in interest rates. You've got postal charges and you've also got Government influence in the transport sector through rail charges.

We are convinced that there is considerable room for cost-reduction in real terms in each of those areas and detailed policy is being examined at the moment.

Turning to the internal costs of businesses, we can see, as we said in 1978, a role for tax reductions as a means of increasing the standard of living of those in the lower and middle-income ranges, without adding to the costs of businesses. Whilst that does not reduce the cost of wages, it helps to hold it.

The Prime Minister is talking about that very area at the moment and it may very well be that he takes action on those lines in the coming Budget.

I think the difference

between him and us on this issue is that we have much more confidence that we will be able to reach some sort of... date. I call it a social contract... with the unions and employers on the question of wages and taxation.

What about imported costs? **Caygill:** Historically New Zealanders seem to have accepted in Governments of both persuasions that there is not a great deal that can be done about imported costs. I think the one thing that can be done is to seek out opportunities for import substitution that are not themselves going to add too dramatically to internal costs.

If you are going to stimulate demand to the extent of getting 300,000 odd jobs surely at some point you are going to move from cost-push inflation to demand-led inflation. **Caygill:** Yes, of course you would. If I thought we could

achieve 300,000 jobs in five years I would be delighted.

But I am not too much of a pessimist either. Just in the past week the final report from the Manufacturers' Federation looking at what manufacturing can contribute to exports is suggesting something in the order of 150,000 jobs over roughly five years, say by 1983 or 1984, although that's starting from a base period of 1976-77 and my suspicion is that we have not matched the increases that they were hoping for between 1977 and 1980 and so we have to start again.

But supposing they're right and they've done some pretty thorough modelling on that, then whether 300,000 is out, whether it's attainable in five years is not really the point, or not specially important.

What is important is that there is room for considerable expansion in economic activity. The manufacturing study was confined to manufacturing, it didn't look at the agricultural sector at all, it didn't look at the tourist sector at all, it wasn't designed to.

There is room for considerable expansion in economic activity that can be, if not labour-intensive, certainly employment-generating. How do you ensure that the demand you intend stimulating will go to locally produced goods rather than imported goods? Will you go back to tighter protection?

Caygill: No, not necessarily. Expansion of the economy need not dissipate itself in

massive demand for imports.

There are a number of ways of directing the expansion of domestic demand into the export sector. One of the policy of a foreign trade surcharge is one, a surcharge rather than a tariff.

Except that most of the goods we use are imported. Thus even if we stimulate demand for locally produced goods, we still have to pay for the expanded demand facilities that have to be met in Auckland as a consequence.

The manufacturers for instance, have taken the notion of needing more materials into account through the economy. They are quite clear that they can achieve 150,000 jobs whilst at the same time significantly improving net foreign exchange of the country. And that's right.

Where does your own regional development fit in? **Caygill:** That's a very important part of the picture. I think it's particularly in the geographic areas that are lagging at the moment.

You are prepared to... for jobs? **Caygill:** I am not sure of a yardstick.

At the time of the silver and gold collapse, the Hunt brothers controlled perhaps two-thirds of the supply available to commodity traders.

The decline in silver prices from more than \$50 an ounce in January to \$10.80 an ounce in March caused them to lose

growth keeping employment up

sequence of his labour force moving with him. Even that statement is at too high a level of theory.

One of the things that fascinate me about regional development is that at the same time as the Government seems to be placing less importance on it, other groups seem to be emphasising it, for example, the Planning Council.

There is an important move in the country, I think, towards the concept of devolution. That development, coupled with devolution of Govern-

ment functions to regions can be achieved, I believe, without the sacrifice of any efficiency at all, with some gain for efficiency and possibly even with some minimisation of cost.

Is it correct, then, to sum up at a very basic level, to say your strategy revolves around jobs? **Caygill:** I think that's simplifying too much. The strategy involves a higher level of economic activity than is occurring at the moment.

That brings a lot of advantages with it. Jobs is one. Generally an improved standard of living allows for a lot of other things to happen. It allows for an expanded social programme - and I haven't gone into that at all because it's not directly germane to what you've asked me about, though there is obviously an awful lot to be said

about social needs at the moment.

Perhaps the other aspect of an expanded economic activity that deserves emphasis is the simple fact that it would be much easier to restructure the economy at a time of expansion. Conversely it would be much more difficult to restructure if the cake is static or getting smaller.

What that says is that the long-term aims of the country - which necessarily are sketched rather than the short-term ones because we live in a democracy and people are entitled to have something to say nearer the time about where they want to go as a country. Those longer-term aims depend on growth, not in the narrow sense of growth as a narrow economic concept, but in all the much wider senses - personal, social as well as economic - that growth can cover.

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David Caygill... there is under-utilised capacity.

International affairs

Banks to the rescue

A GROUP of American banks is negotiating a loan package that could exceed \$100 million to help the Hunt brothers, of Dallas, Texas, to pay off debts that arose when the silver market collapsed in March.

Rad A Volcker, chairman of the US Federal Reserve Bank, told a House Committee Subcommittee he did not see a problem with the package.

Volcker said he was in favour of a loan was made. "The package is the agreements, rather than silver and other commodities commodity purchases for the life of the loan."

At the time of the silver and gold collapse, the Hunt brothers controlled perhaps two-thirds of the supply available to commodity traders.

The decline in silver prices from more than \$50 an ounce in January to \$10.80 an ounce in March caused them to lose

many millions of dollars and threatened the financial institutions that had lent them money to carry out their speculations.

"Their failure," to use Volcker's words, "could in turn have triggered financial losses for others and severe financial disturbances."

The parties involved have agreed since then to try to work out a series of measures, including loans and transfers of Hunt property to creditors, to permit an orderly settlement of obligations.

They include some shift of the outstanding obligations from brokerage houses to banks. Volcker said the loan agreement being worked out also calls for the Hunt interests to dispose of their still large holdings of silver in an orderly way over the course of time.

Volcker urged the committee to study reforms directed at avoiding such incidents in the future.

Seabed mining legislation

THE Carter Administration's new enactment of legislation this year to enable full-scale seabed mining operations by American companies beginning in 1988.

Elton L. Richardson, the President's special representative to the Law of the Sea Conference, told a Congressional committee that other members of the conference were viewed as "reasonable" in their proposal that "seabed mining must be allowed to go forward on some other basis if a treaty does not enter into force within a reasonable period."

He said he had discussed the matter with representatives of developing countries, who supported that the legislation proposed "is not destructive of the purposes of the conference, but, on the contrary, will promote, rather than hinder, the general acceptance of the LOS treaty."

Richardson said "the ongoing American seabed

mining industry" needs legislative assurance that it will be able to enter into operations by 1988 if it is to continue to invest financial resources in the development of the necessary equipment and techniques.

"There is a realistic prospect of concluding the law-of-the-sea negotiations during the five-week session scheduled to take place in Geneva beginning July 28," he told the committee "virtually all of the difficult issues" except for some related to deep seabed mining have been satisfactorily resolved.

He said, "there appears to be a good negotiating climate for reaching suitable compromises on the remaining issues."

Richardson said that if the Geneva session did not reach full agreement on those final points, he believed a short session early in 1981 could pave the way for final signature of a treaty in Caracas later in 1981.

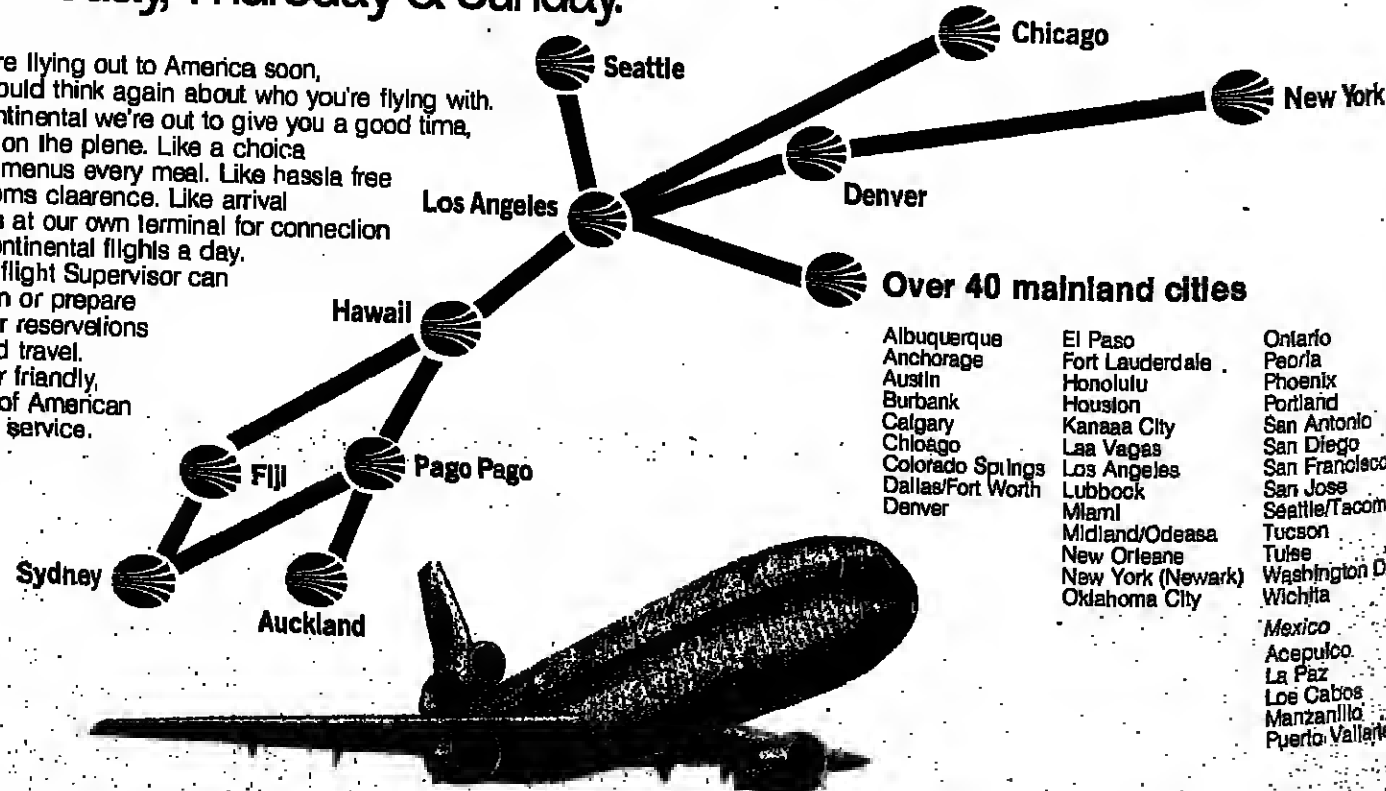
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"Acceptable" commercial practices have evolved

THE Commerce Commission's hearings into the Fletcher/Carter Holt affair produced evidence on many aspects of commercial activity.

The commission was hearing applications under the Commerce Act.

Actions are still pending in the Auckland High Court. But those matters can be separated from the issues relating to takeover practices revealed at the hearing, and the practices discussed here have nothing to do with the legal aspects of the Commerce Act and the High Court actions.

They reflect the community's view of commercial behaviour, and may lead to changes in the law and professional organisations' rules.

Two points need to be dealt with before examining the evidence before the Commerce Commission:

PETER VO BRIEN comments on the financial and business week, appraises the share market and analyses company accounts.

The Securities Commission's announcement of May 16 that it will review the law and practice relating to takeovers has little to do with evidence at the hearings on May 14 and 15. The commission prepared its press statement the previous week, and issued it under embargo until May 16.

The hearings involved Fletcher, Carter Holt, New Zealand United Corporation and Wellington broking firm R A Jarden Co.

If you changed the names of these companies and firms to others, (with appropriate alterations to dates and detailed evidence), the result would be broadly the same.

Many men sleep peacefully these nights because the dice fell on people involved in the Fletcher/Carter Holt battle, rather than on them.

Practices have become commercially "acceptable" because they evolved slowly among the small, closely knit New Zealand financial community.

There are six (perhaps seven) sharebroking firms — capable of handling the large purchases required for a "toehold" in a target company. Those firms have about 40 partners in total.

Only seven or eight merchant banks/finance houses have the financial connections and skills to participate in take-

over finance, or in massive share purchases.

The executives dealing with the business would total no more than 40, across all the financiers and advisers (although other people may be involved in the detailed work, the decisions are confined to the group mentioned).

Add in a few directors and we may reach 60 people.

The insurance institutions whose shares are sought (mainly life funds) and other large funds total about 20. That includes trading bank, superannuation funds and similar holdings.

In each case we are probably talking about an average of two investment managers, plus another two executives who make the decisions — a total of another 80 people, say 100.

The three groups therefore comprise probably 200 people



Hugh Fletcher... called for written undertaking.

who make the investment decisions (although insurance and other funds are usually required to report major transactions to their respective boards).

The 200 are located principally in Auckland and Wellington.

Apart from their daily business connections, they may sometimes with each other, either generally or to discuss business.

A quick look at listed companies suggests that about 20 groups would be in the market for sizeable takeovers. Their directors and top executive management (after allowance for overlapping directorships) cover another 200 to 300 people.

The director and/or chief executives are often involved in the insurance, finance, and merchant banking groups mentioned earlier.

We now have between 400 and 500 individuals, who have regular contacts.

It would be easy to infer from this that they carve up New Zealand industry and commerce. That is a false picture.

The proportion to the total population of those involved is probably similar to that in other countries, but the Auckland/Wellington link is one hour, there is the ability to talk to Auckland from Wellington by dialling a Wellington number, and the overall number of organisations is lower, thus allowing easy contact. There is also competition.

It has been suggested that the economic "restructuring" of the country requires large groups, and the involvement of people with financial and advisory skills.

That is true. It is equally true that the 400 to 500 may be the right people to do the work, as opposed to politicians, bureaucrats with no market orientation, and the host of theorists who plague our development.



Peter Kamp... possible "moral" obligation.

The problem lies in methods. If a small group have this power it must be used in a manner acceptable to the community, voluntarily or under the sanctions if it fails to meet community's requirements.

The evidence at the Commerce Commission, evidence which would come from examination of deals, plus widespread non-suggest they have to measure up in time.

Inside trading has not been a problem in New Zealand. NZUC bought shares in Carter Holt before the announcement of a takeover proposal.

NZUC says it was meeting would be held on Monday, March 31, which time the market had acquired close to 100% of Carter Holt.

Busy executives can only be expected to take a check the position, but firm had the opportunity all the necessary meetings of Carter before March.

Reference is made to allowing a "free and open" market. How can a market be "free and open" if a company has "subject to FOM Act approval" 23.6 per cent of the target, and an understanding, made the same day, target learned of the offer, other substantial findings?

On March 31, NZUC apparently did not hold 54.9 per cent. But it had about 35 per cent at least. That means Fletcher would still be in with the right to 38.6 per cent of Carter Holt.

Hugh Fletcher admitted that a "toehold" was a potential counter-attack and/or defensive action.

Fletcher bought at 42. How do the rest of the shareholders have a "free and open market" if they are presented with a virtual fait accompli?

It is immaterial that Carter Holt was priced below 40 before the offers were made.

slowly in small, closely knit financial community

Ten days that shook the investment world

IN 10 days from Monday March 24, when Fletcher authorised Carter Holt to make oral offers for Carter shares, until Thursday, April 3, 50.9 per cent of Carter's capital was transferred to three companies.

Chronology sets out the main events from March 11 to the Commerce Commission's hearing, which began on May 14.

March 11: Fletcher axaculvaas submit acquisition strategy to board.

March 17: Meeting of Fletcher management.

March 24: Fletcher authorises Carter Holt to make oral offers to major shareholders in Carter. Hugh Fletcher directs Johnson of Jarden and Co accordingly.

March 25: Jarden approaches Carter shareholders.

March 27: Fletcher approaches NZUC for finance.

March 28: Acceptance of offers for Carter shares total 23.6 per cent.

NZUC advises that a credit facility of \$20 million is available subject to Reserve Bank approval.

Fletcher initially advises Examiner of likely takeover.

March 30: Fletcher directors approve takeover offer. A Fletcher director advises Jarden in the afternoon to purchase no more shares.

NZUC advise Fletcher of intention to purchase Carter shares and give oral undertaking to accept Fletcher offer.

Jarden negotiating with AMP and CML in evening and offers

institutions — an offer which would also be made to the rest of the shareholders.

That price was based on information known to the market, including earnings, analysis of prospects and so on. As a going concern in combination with another group the shares, in terms of true asset values, may be worth more.

Wellington brokers Francis Allison Sykes state that the "intrinsic value" of Carter Holt is \$7.27 a share, based on an assessment of shareholders' funds contained in a document sent to Carter Holt shareholders.

The FAS calculation is made after adjustments to total asset values of five broad areas of Carter Holt's activities, and deduction of estimated liabilities and minority and less \$3 million as "net adjustment to recognise delay in disposal".

That seems to beg the question. FAS says it has taken the company's profit projections into account in reaching its valuation, and therefore could be said to assume the group is maintained as a trading entity.

In that case there should be some relationship between earnings and the adjusted shareholders' funds as a second valuation calculation.

A statement that net asset backing is \$7.27 on an assumed acquisition has nothing to do with a realistic price.

FAS apparently tries to cover that point when it says: "While the shares may not sell at the intrinsic value, we have calculated (because the valuation has been made on the basis of a total acquisition) we believe that the shares would be likely to sell at or above the value of the Fletcher offer in the foreseeable future."

Anyone learning of the offer on Monday morning and wishing to buy shares, assess the possible gain if Fletcher shares moved up, and look at the value of Carter Holt as a company would have only a few hours. Is that a "free and open market"?

Then we come to the brokers, and to a mess.

Evidence of negotiations with institutions on weekends to purchase shares when there

escalation. (Johnson later tells commission that the firm believed it was acting for AMP at that time)

March 31: NZUC authorises Jarden to purchase Carter shares (before 10am).

Jarden buys AMP Holding and other shares. NZUC undertaking to Fletcher confirmed in writing.

Notice of takeover given to Carter (2pm).

Takeover proposal delivered to Examiner of Commercial Practices.

April 1: Hugh Fletcher visits Wellington-based institutions.

April 8: Carter obtains ex parte interim injunction in High Court restraining Fletcher from proceeding with takeover offer and completing purchase of Carter shares.

Jarden completes 2.4 per cent holding in Carter for Custom-house.

NZUC now owns 24.9 per cent.

Fletcher issues statement saying its Carter shares and "undertakings" total more than 50 per cent of Carter.

April 8: Interim injunction served on Fletcher.

April 9: Fletcher files application to rescind interim injunction.

Carter shareholder David Clark files proceedings in High Court seeking injunction.

Carter issues unsigned capital to "sympathetic companies".

Stock Exchange suspends trading in Carter.

April 23: Carter files application under Commerce Act.

Fletcher and Clark applications heard in High Court. Carter Commerce Act application served on Fletcher (4pm).

April 24: Commerce Commission hears Carter application and makes restraining orders.

Briarley Investments makes "first come, first served" offer.

April 29: High Court rescinds interim injunction.

May 1: Fletcher and another Carter shareholder file High Court proceedings relating to Carter share issue, seeking an injunction and damages.

May 2: Fletcher files application under Commerce Act. Carter enounces "cancellation" of issue of unsigned capital.

May 7: Examiner advises his provisional view is that takeover proposal is contrary to public interest.

Judgment of High Court given dismissing Clark application for interim injunction.

May 8: Stock Exchange agrees to relist Carter shares on conditions.

May 14: Commerce Commission opens hearing of Fletcher and Carter applications.

May 16: NZUC's Peter Kamp announces under cross-examination that NZUC proposed to mediate between Fletcher and Carter.

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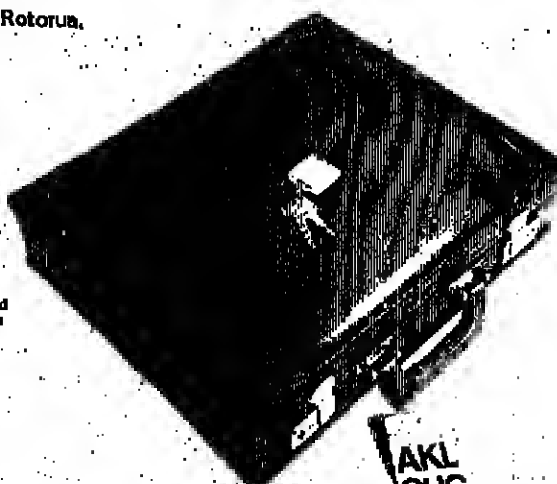
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P.O. Box 3601, Auckland. Tel.: 32429.

Strategic base for mutual co-operation

MANAGING-director Hugh Fletcher made a formal statement to the Commerce Commission on May 14.

Referring to a meeting with Carter representatives on March 31, Fletcher said: "In all matters our attitude was one of mutual co-operation aimed at winning Carter's endorsement of the proposals."

Hugh's dad, Sir James Fletcher, said in his formal statement: "At all stages of the discussions we were seeking

the approval of Messrs Carter for an arrangement which we saw as being in the national interest as well as for the benefit of both groups."

Those statements could give the impression that on March 31 the Fletchers thought they might persuade the Carters.

It was therefore interesting that on May 15 the commission received in evidence an "acquisition strategy" prepared for the Fletcher board on March 11.

It says: "It is considered (a) That the Carter family and board of directors will oppose any takeover/merger that subserviates Carter Holt. We do not see any circumstances where a friendly approach can achieve a merger."

"(b) There is a significant likelihood that if given the time Carter Holt will take defensive actions such as through the issue of shares (unissued capital is some 11.7 million or an 87 per cent increase) or through arranging

friendly counter-buyers whether their Japanese connection, or institutional or a company seeking a minority diversification."

"(c) There is a significant likelihood that counter-bidders will appear whether New Zealand (Challenge, NZ Forest Products, UEB, Winstone, Odins - a long list) or overseas (CSR, Weyerhaeuser)."

"Hence there seems no option but to gain quickly a powerful initial position (20-25 per cent from which to talk

to the board of Carter Holt and to launch a public bid.

"This position could be gained by securing two out of the three holdings of AMP, Government Life and CML. This strategy is recommended."

An interesting background and base for an attitude of "mutual co-operation" and "at all stages of the discussions... seeking the approval of Messrs Carter for an arrangement".



Sir James Fletcher... in the national interest.

Continued from Page 15.

are no instructions from anyone to buy; escalation offers when there are neither instructions to buy nor the authority to offer escalation; later claims of acting for an institution when negotiating with it that can one "fact" when escalation is offered to

the institution without authority and without buying or selling instructions - although there may be buying instructions within a few hours; acceptance of broking instructions for a massive shareholding in a company which has been waiting for advice on its affairs.

Fletcher's counsel made the

point that brokers try to match orders if they know potential buyers, and that such matching is a normal broking function. The problem is that in this area the whole question of "normal" is being called into question.

In NBR, May 12, I suggested there were potential problems in the New Zealand situation

where the same people act as brokers, jobbers and advisers. That is now clear.

There are also problems where merchant bankers act as advisers, fund-raisers, and traders on their own account.

Not only NZUC and Jardens face these problems. Other firms and merchant banks are in the same position

and seem unable to reconcile their conflicts.

Some even claim there is no conflict, which is an indication of how far they have moved from the bulk of the commercially informed community.

Various financial "trade associations" ask for the right to regulate their own affairs, free from unnecessary legislation. The community requires some indication that they will do so, or else there is no alternative to outside restraint, which will erode the market mechanism beyond its present condition, a result which affects organisations even more than tighter internal regulation of their activities.

Paradoxically, penalties are already incurred in this affair. NZUC arranged credit for \$14 million, apparently on the basis that the cash element in the deal would allow it to repay a sizeable amount at an early date.

Assuming an all-up cost of money around 15 per cent, the merchant bank has a holding cost of \$5765 a day, and at present no indication of when the funds will be free. That is at least one good reason for NZUC's offer to mediate between Fletcher and Carter.

Jardens and NZUC are involved in a problem of escalation offers. If Jardens has to pay escalation to the AMP, for example, the firm could find much of its brokerage wiped out, depending on the rise in

Fletcher's share price, assuming that the deal is allowed to proceed, a matter which is lower in the context of the Commerce Commission.

Last week, escalation amounted to the share price of four times the 1 per cent brokerage applicable to the large parcels we have seen in the situation where bank might exercise brokerage on a seller and from the bank NZUC and Commerce claim they no longer have an undertaking to sell to bank because Fletcher's bid lapsed due to delays in context Kemp said he had legal obligation, but not have a "moral obligation".

The whole question of over practices, respect of who is involved, summed up there. This is the first time "moral" has been heard in the proceedings.

The community may want to hear a lot more, as well as for legal obligations. There is an interest, sideline on a similar matter. After NZUC gave a verbal undertaking to sell any shares to Fletcher on May 30, Hugh Fletcher called for written undertaking.

In view of the close connection between the companies, and the fact that money was being arranged, invested on oral instructions and agreements, one can see whatever happened to the financial community's "word is my bond" principle, or, in these technological days, "my telephone is my honour".

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Judge blocks public view of justice being done

by Rae Mazengarb

"The courts are open to all, but they are of limited extent, and only a small number of cases can be present in them, but by means of the press the whole nation is informed of what takes place, and is in a position to form an opinion upon the conduct of the jury, the judge and the case."

These sentiments, expressed by the great British judge, Lord Campbell, are echoed in the more commonly quoted principle that justice should not only be done, but should be seen to be done.

In Wellington High Court today, Mr Justice Quilliam did to bring down the shutters on a case being heard by him and a jury of 12.

Two men faced joint criminal charges. But after questions had been made before him by counsel in chambers, the judge made a interim order prohibiting publication of all aspects of the proceedings.

Crown counsel Ken Stone supported by the *Dominion* saying that the Crown had opposed the suppression order.

"It is my present intention to these orders will not remain in force indefinitely, but that time will be reached when the details of this trial will be published," Mr Justice Quilliam said, according to the *Evening Post*.

Until the order is lifted, the names of the defendants, the nature of the charges, details of evidence - and even the names - must remain secret.

The newspaper did not say whether justification for the suppression order may be given.

One possible consideration is that publicity might be prejudicial to subsequent proceedings. But to elaborate on this, the judge might disclose particulars that may identify the substance of the present case.

In short, the argument that could serve to support a suppression order cannot be advanced in detail.

On the other hand, a formidable range of arguments can be brought to bear against suppression order. First, the principle is the basic principle of an "open trial".

"Generally speaking, the right to publicity of trial is an important constitutional principle" (Adams, *Criminal Law and Practice* in New Zealand, 2nd Edition, para 524).

In 1975, the *Otago Daily* was arguing against secrecy in court proceedings, said: "... the common complaint against apparent inconsistencies of our system of justice would become more widespread, because the secret could inevitably be divulged by unscrupulous persons, or even unscrupulous judges, in manners which would be impossible under the present system."

At that time, controversy was raging over the Labour Government's proposals to amend the law to suppress the publication of names of defendants in criminal proceedings in certain circumstances.

The New Zealand Law Society pointed out, in its submissions to the Statutes Revision Committee on the proposed change to the law: "In practical terms, in the modern age, the 'open trial' means a right on the part of

the news media and in particular newspapers to report in full upon proceedings. This is the only practicable means by which the public may have access to the events which take place in our courtrooms."

"Public knowledge of the course of proceedings before our courts of justice is regarded as an important factor in maintaining public confidence in the courts."

The public interest goes beyond the protection of the accused from embarrassment or ostracism - and consequent embarrassment that might befall innocent persons

demanding total suppression of publication of name and identifying particulars in the case of an ultimate acquittal is not in the public interest.

"Such suppression leaves it wide open to the suspicion that there has been underhand conduct of one kind or another. Moreover, to achieve this result it would be necessary to suppress publication of the proceedings against some persons who were eventually convicted. The majority of the committee find this totally unacceptable."

"... We hold strongly that, in general, actual trials should

be conducted openly and in public, but also should be reported to the public at large."

The committee referred to the subject of its report and emphasised that what it proposed was *interim* suppression of publication of name only (our emphasis).

"It does not recommend that there should be suppression of the fact of the trial, of the evidence given, of the witnesses or any other relevant matters ... The idea that justice should not only be done, but should manifestly and undoubtedly be seen to be done" is the cornerstone of our system of criminal justice, and a principle that the committee have been careful to keep in its mind ... the report said."

In a separate dissenting statement, committee member Patricia Webb argued that the desired effect

power to exclude persons except in the case of Supreme Court hearings, and that power was severely limited.

The special situations which permit or require suppression - in domestic proceedings, divorce proceedings, and children's courts - are distinguishable from proceedings involving alleged criminal activities, and in the latter case suppression involves children as distinguished from adults.

Except in these cases, the general rule is that the court is open to the public - including the press - and that any member of the public, in-

only by the fact it is reported in the press and can be contradicted by a reader.

Publicity might be effective in bringing new and relevant evidence to light.

Its capacity for detecting and deterring perjury and bringing relevant evidence to light thus can make the publication of court evidence an important aid to justice.

Suppression - not only of defendants' names, but of all court proceedings - not only serves to shelter those individuals who are accused, but to generate undesirable conjecture about the system which is trying them.

A lack of uniformity in the treatment of accused persons may undermine public confidence in the court system.

Deputy Justice Secretary Jim Cameron was reported as saying last week that Mr Justice Quilliam's decision was "a very unusual course for a judge to take".

The public might then have cause to think that there is one course of justice for some groups of people, and another for others.

When a crime is investigated, inevitably the police inquiries will become known and talked about. This gossip and rumour are spread.

The subsequent suppression of information before the court can only further speculation, conjecture, rumour and gossip outside the court, and so cause more damage - perhaps to innocent people.

The interests of the accused, and the wider interests of justice, generally are more fully served if a post are given the opportunity to openly defend themselves against the accusations in a court of law.

The *Otago Daily Times* has said: "It is sheer sophistry ... to suggest that the possibility of injustice or embarrassment to innocent people warrants judicial action to deny New Zealanders knowledge of who appears in their own courts."

It is not simply news media reports of the trial in Wellington High Court that are prohibited by Mr Justice Quilliam's court order.

Members of the public are allowed to be present, but are prohibited from discussing the proceedings.

Thus the judge's ruling is not merely one that challenges the freedom of the press, since the press enjoys no greater freedom or privilege than any member of the public.

But it is through the press that the public at large can be made aware of the proceedings of any court and provided with the knowledge that justice is indeed being done.

We have the concept of press freedom for no other reason than it is seen as an instrument of justice.

In the real world there are innumerable ways in which individuals and the community can be abused in the name of justice.

The press can be an important watchdog, opening the judicial process to public scrutiny, so that while error may not be prevented, it may at least not be hidden.

As a former editor of the *Wall Street Journal*, Vermont Royster, said:

"Freedom of the press and the open trial are both means to the end that citizens may judge the system which judges them; they are the hand-maidens that lead blind justice. To dim one of them might not put all in darkness but there would surely be the rather less light along the way."



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in association with the accused.

It extends to the maintenance of a system which can keep the risk of wrongful conviction of the innocent and acquittal of the guilty to a minimum.

Thus it is of supreme importance that the administration of justice be open and public.

"If facts are to be suppressed at any stage of the proceedings there must be extremely strong reasons for doing so, and the procedure adopted must be compatible with maintaining full public confidence in the fairness and impartiality of criminal proceedings," said the 1972 Report of the Criminal Law Reform Committee on the suppression of publication of names of accused.

The committee went on to say: "A general rule

not only be conducted openly and in public, but also should be reported to the public at large."

The committee referred to the subject of its report and emphasised that what it proposed was *interim* suppression of publication of name only (our emphasis).

"It does not recommend that there should be suppression of the fact of the trial, of the evidence given, of the witnesses or any other relevant matters ... The idea that justice should not only be done, but should manifestly and undoubtedly be seen to be done" is the cornerstone of our system of criminal justice, and a principle that the committee have been careful to keep in its mind ... the report said."

In a separate dissenting statement, committee member Patricia Webb argued that the desired effect

not only be conducted openly and in public, but also should be reported to the public at large."

The committee was considering only the issue of the suppression of publication of defendants' names.

"... The automatic ban (on disclosure of the accused's identity) would in (no) way undermine the general principle, or give ground for suspicion that justice was not being done, so long as the prohibition on publication extended only to the defendant's name and to any necessarily identifying particulars," Webb said.

The fact that our courts traditionally have been open to public scrutiny is not mere historical accident.

Centuries of experience have shown that courts which have been allowed to adjudicate in secret have tended to become instruments of oppression.

Historically, the courts in New Zealand have been public places. There was no

including the press, is free to publish a report of the court proceedings.

The law recognises this right by protecting from liability to damages for libel any fair and accurate report of court proceedings.

If what is published is untrue or an unfair and inaccurate report of proceedings, there is usually a remedy available.

Significantly, the 1975 legislation which Labour enacted to protect the identities of accused people where they were found not guilty was promptly repealed next year by the incoming National Government.

Publicity helps maintain public confidence in the courts in several ways.

Publicity is an obvious means by which perjury may be detected.

"There may be cases where evidence can be challenged



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ANAC Ltd beams ahead in international nuclear

by Lindsey Dawson

DEEP in the heart of Silicon Valley, the area south of San Francisco that has become the centre of new American technology, you will find ANAC Incorporated.

ANAC is not your average Yankee high-tech company. It is the marketing arm of an enterprise with its roots in an unprepossessing building tucked away in Auckland's Mt Albert.

ANAC Ltd, formerly known as Auckland Nuclear Accessories, exports an average \$220,000 worth of ion beam equipment every month, and became a world leader in its field.

It began in the early 1960s, with a group of physics students at Auckland University, working on ion sources under the leadership of Professor Edward Collins. They were Hilton Gluvish,

Barry MacKinnon, John Ruffell and Ian Walker. Ions, which are electrically charged atoms or molecules, were then — as now — the subject of intense research in physics laboratories around the world.

The practical results the Auckland team were achieving aroused overseas interest, and they began selling components to other labs as modules to improve the performance of research equipment.

The company was registered in 1966. By 1969 the team had to decide whether they wanted to be university researchers or full-time businessmen.

Gluvish had completed his PhD and left for Stanford University, where he became a professor of physics, but remained a director of ANAC. MacKinnon, Ruffell and Walker stayed in Auckland

and concentrated on developing equipment for finessing and controlling ion beams — equipment that was much sought after for pure research work to unravel nuclear physics.

Most exporting companies work up a solid home base before venturing overseas. For ANAC the home market was virtually non-existent. But despite the distance from international centres of nuclear research the business prospered.

By mid-1978, said Walker, "things were developing".

Customers relying on ANAC's know-how were returning for increasingly complex equipment as research developed world-wide and new applications for ion beams emerged.

The microprocessor era was beginning and the ANAC team was using the new

technology to achieve electronic control systems which were vastly superior to manual operation.

Gluvish left Stanford with the qualifications and the contacts to become ANAC's chief executive and the anchor man of the American company set up to market ANAC's equipment.

The company developed a three-year plan to establish what was needed to improve its manufacturing capability, and to implement those ideas.

ANAC needed finance to invest in new, expensive technology and Walker says it was not easy to explain their business and its potential to New Zealand financiers.

"We knew we'd lose money for the first 18 months, but on our side was the fact that we'd been operating successfully for eight years. Eventually we

got good support from the BNZ and Marac".

MacKinnon was transferred to California to work with Gluvish, and ANAC grouped itself into three divisions — marketing, based in Santa Clara, and, at home, a technology group under Ruffell, and manufacturing under Walker.

New people were hired. Dr

Phil Kurjan — "an exceptional software man" — joined the land business men Jim Connelley and Wilf Wagener had brought in earlier as directors for their financial and commercial expertise.

"Their help is critical because as technical people we don't have that essential knowledge of the business,"

New ingredients in success recipe

THE chief executive of ANAC lives overseas. There is no home market to speak of and sales and manufacturing operations are separated by the Pacific Ocean.

The field is technical, and

this country is hardly known as a leader in innovative technology.

It doesn't sound like a recipe for business success. But ANAC is succeeding.

"Ten years ago, if you saw a company this way, people would think you were crazy," said director Ian Walker. "But now you can do it."

"Communications are much, much easier. You can move people and high-tech equipment very easily."

"You can hook into the banks to get all the information you need to run a business, and get it exactly the same time as your competitors."

"The number of companies in New Zealand may be declining — but there's more reason why you can't treat them and people as a resource, at least the rest of the world's your market."

That does not mean that ANAC has it easy. It works hard to be in front in the American marketplace and to fill orders on time, to specifications and with reliable follow-up.

Distance from the marketplace is a problem, but ANAC overcomes any initial delays by using a word-processor incorporating quotation modules, so that they can deliver quotes quickly and accurately.

A facsimile machine hook-up between the two offices means that plans or diagrams can be transmitted in seconds, saving postal delays.

The company has access to local and international data banks for business and technical information, and computers take care of accounting and "housekeeping".

And, said Walker, technically: "We use the phone a lot".

The company runs two workshop shifts a day, and would work 24 hours a day to reduce lead-time if necessary.

Surface shipping of large equipment can be a headache — up to six weeks from factory to customer. ANAC makes use of air freight, specially for its more expensive items.

"We don't hesitate to send 5000-kilo loads by air to the States. When they're worth \$20 to \$30 per kilo the commodity rate of \$1 per kilo is not a big factor," says Walker.

ANAC does not push itself as a Kiwi company in California.

"They may know that we're New Zealanders but you don't ram it down their throats," says Walker.

"We do our marketing in California because it's the best place to be. The Americans buy at home, and the Europeans will either buy here or in America, but they wouldn't come this far. It is essential for ANAC to operate multinationally with a department overseas."

research stakes

Walker said.

Also a director is professor Willy Haeblerli, of the University of Wisconsin, an expert in ion beam applications.

"It's a lot of directors for a small company, but that technical and commercial expertise gives us the base for rapid growth. We've got the knowledge and experience to

move from when we need it". The new set-up moved into the black, within 18 months, and looks forward to a 30-50 per cent growth in the next year.

This time next year they hope to export about \$300,000 worth of equipment per month, ranging from 18-ton electromagnets for controlling ion beams to high-vacuum

technology, high current and voltage electrical systems, and sophisticated microprocessor and electronic control systems.

The firm's major customers are in America, but include Switzerland, Germany, Belgium, Britain, Japan, Argentina and Israel.

While the Californian office is ideally placed to market ANAC equipment worldwide, the company would like a base in Europe too.

Sights are set on Geneva, home of the huge Cern nuclear research laboratory which is a co-operative venture between European countries which pre-dates the EEC.

Industrial applications for

ion beam technology could mean an exciting future for the company — not least in the silicon chip industry. Ion implanting machines for the manufacture of semiconductors are a big improvement over older methods of preparing silicon.

Doping materials used to be painted on top and diffused into the silicon at high temperature. The new technology means that the doping atom can be ionised, accelerated up to high speed and driven straight into the silicon.

Research is under way into methods of ion implantation which can treat metal to produce precise surface characteristics like reducing

friction, improving hardness, resisting corrosion and metal fatigue.

ANAC's New Zealand staff has grown to 70.

Much of its engineering work is subcontracted, but its own staff carries out light engineering and assembly work, to exacting standards and tight deadlines.

Walker said: "It's not easy to get the skilled labour. Sometimes we have to put in an awful lot of hours very fast. We need individualistic people who work hard, and effectively. Auckland seems to have more of those sort of people than anywhere else, and fortunately they seem to find us a fairly attractive sort of company."

World first in beam control

ANAC's work in ion beam control has led to the development of a medical cyclotron which will be a world first.

Cyclotron, a type of accelerator with particles travelling in circular orbits, is used to produce radio isotopes for body scanning devices.

These can not only help doctors diagnose diseases, but are being used increasingly to ascertain how the body works.

New developments in the field have prompted the development of relatively small, easy-to-operate cyclotrons which can be run by a technician.

Until now, cyclotrons have had to be based in nuclear

research centres, tended by highly qualified physicists.

An American company working on the new concept searched the world for a suitable unit and decided on a proposal put forward by ANAC.

Design work is almost complete and the firm plan is to produce the prototype next year. Its price will be around \$300,000.

Present generation cyclotrons cost upwards of \$1 million.

"We're able to reduce the size and price of this model partly through the use of new control systems, and because it's aimed very specifically for medical use," said Ian Walker.

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Agro-mission comes to earth in South America

by John Draper

It might have been another visit from outer space, but one that is unlikely to appear in a revised version of Albert von Bonin's *Chronicle of the Gods*. Clad in white "spacesuits", New Zealand's first "Agro-mission" was at work in South America.

For some of the 30-odd farmers packed into the old milking shed, the seven-man team might have come from another planet with its equipment and programmes for boosting production.

Others, including the professors from the university farm where the demonstration was being held, were evaluating the performance against more sophisticated and expensive equipment sold by the United States.

The contrast and the competition was not lost on the New Zealand team. In a milking parlour last seen in New Zealand 30 years ago stood a modern expensive American-made milk cooling tank not yet seen in Taranaki or the Waikato.

That the team was in South America at all was less a wonder of modern technology. Months of hard work had gone into the preparation and organisation by all members but specially for organiser and mission leader Barry Marx and his company, Olenz Ltd.

"There were many things going wrong the week before we left. I just sat back and laughed as the next disaster happened," he said.

The mission, supported by the Export Institute, claimed several firsts - the first to get a new export market development grant, the first integrated agricultural export team offering skills and products for improved herd breeding through to more efficient milking and the first team to "export" the agricultural fields concept.

Pioneering had its problems. Though planning and expenditure began last Oc-

tober only money spent from April 1 1980 was eligible for an export development grant.

Partly as a result, Olenz application was cut from \$90,000 to \$40,000 by the Department of Trade and Industry.

To qualify for grants of up to 64 per cent on some items, exporters must submit a programme following up the initial visit with further calls and market development. This includes possible representation at relevant trade fairs to ensure that the taxpayers' dollars reap a harvest of foreign exchange.

The mission was small, smaller than Marx intended. Some firms were reluctant to join a specialist mission while a last-minute drop-out reduced the numbers to eight.

All but one of the firms represented were regular callers in South America and in particular, the countries the mission was visiting, Ecuador, Chile, Colombia and Venezuela.

Dairy Board representative Bob Steel would have gone to the South America later this year anyway. Joining the mission had its disadvantages, he said. It would cost more than his own individual programme, and he would visit fewer countries and fewer agents.

It was an attitude Marx was confident would change as the month-long tour progressed, as the benefits of working as an integrated team, providing the answers and means to solve many of the problems South American dairy farmers were encountering, became apparent.

Marx's own company specialises in providing the technology and systems for dairy farming and has worked for various international agencies setting up dairy projects in South-east Asia, the Middle East and the Caribbean.

Warren Cole, of Alex Harvey Industries, Johnathon Mitchell, of Frank M. Winstone, and David Berry, of



"Agro-mission" members... from left, Warren J Cole (AHI Plastic Products), Murray W Woodford (Raukura Animal Research Centre), Barry L Marx (leader - Olenz Export Co), Roger J Payne (Ministry of Agriculture and Fisheries), David M Barry (Olenz Farm Consulting Group).

Olenz, completed the commercial end of the mission while Dr Murray Woodford, from Rukura, added the scientific expertise and Roger Payne represented the Ministry of Agriculture and Fisheries.

Getting the team together before leaving was not easy, and was achieved for the first time in Tahiti, the venue for "four hard working days", - not for a rest in the sun as some members had hoped for.

There, the team worked out their act, how they were going to conduct each seminar and field day. It worked fine in English. But in Latin American - Spanish, there were unexpected problems as the team found out when they touched down in South America.

Faults had been found in some translations, completed at home before the mission left. And in the early hours of the morning, the interpreters borrowed from the New Zealand Embassy found two more nonsensical speeches.

Working in two languages was to become the biggest problem of the first two days, often, with amusing results. Udders and teats in Spanish translated to breasts and nipples in English.

The first seminar drew 50 invited guests - farmers, university professors and lecturers, manufacturers and local agents.

As the first live performance it was a qualified success.

"Some trade missions would not reach this standard after a month on the road," commented Ministry of Agriculture and Fisheries representative Roger Payne. The introductions over, it was time to show what New Zealand could do with the Department of Trade and Industry's latest film *Made in New Zealand*, with a Latin Spanish commentary.

Emphasising similarities between the New Zealand agricultural environment and that of the four nations visited, was the task allotted to Roger Payne.

New Zealand farmers were

no more fortunate than those in South America, he said. It was only by hard work and by developing specialist skill that New Zealanders had become the most efficient grassland farmers in the world.

And it was that expertise that the mission was offering. Next up was an audio visual presentation, moving from the general dairy farming scene in New Zealand to the use of the specific products being offered by mission members.

Speeches followed, the revised translations arrived with minutes to spare - from each member - an introduction in English - only one bothered to attempt a few words in Spanish - and then the interpreters took over.

A break for the only screening of *This is New Zealand* - a National Film Unit production from an earlier decade. The experience in the audience smiled. The invited guests did not. More speeches and then question time. The polish and

proficiency of the last two hours vanished.

There were inevitable misunderstandings as the team lacked the experience of working through interpreters, particularly as the questions became highly technical.

The audience drifted another room for coffee, disappointed their searching questions had failed to elicit satisfactory answers. The team's fault of the questions were their particular fields of expertise.

Roger Payne diplomatically fended off a question about fertiliser subsidies in New Zealand as not relevant to South America. The night, not over.

Equipment had to be packed, three tonnes was allowed, plus two hundred kilos of baggage, displays, printed Spanish translated books, late dinner and team discussion.

The programme and polishing. Three hours of work, too long, speeches cut but detailed discussion was deferred for the journey next evening and first field day.

The coach arrived at 7 for a two-hour ride. A demonstration farm is ment was set up as the invited farmers and local agents.

At one venue, at least, were eager to attend. The demonstration well. Equipment in use at dairy showed up the advantages of the New Zealand products.

A mastitis test produced positive results, to the delight of the university's farm manager and the delight of the audience. Mitchell, Frank Winstone's representative.

The team work members went there on a day at most venues, a month-long itinerary to existing or find new buyers or follow contacts to earn the dollars to pay expenses.

Gloom-boom for US books

by Gordon McLaughlin

AMERICAN surveys indicate that more people read books than ever before. But unit sales are static after creeping up during 1978 and 1979.

Library loans are soaring - but sales to libraries are down because funding has been slashed as a result of the anti-recession bill that has swept the United States for the last two years.

American Booksellers' Association executive Robert McKelvie says these comments on the gloom-boom at the annual conference of the booksellers' Association in Kansas.

He said, "The American book market is a bit of a mess. It's not as healthy as it used to be. The sales are down, and the prices are up. It's a real problem."

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sales score of blockbusters of 1978. Michener's *Chesapeake* and Wouk's *War and Remembrance* sold more in 1979 than the top six books published that year.

To which one conference wit muttered: "It would take you two years to read either *Chesapeake* or *War and Remembrance* anyway, so contemporary sales might adjust this year."

Hale said *The Thorn Birds* - that commercial miracle by Australian Colleen McCullough - sold an extraordinary 7.57 million copies in paperback last year, more than two years after publication, and is still selling in hard covers as well.

(McCullough, by the way, is living alone in a country house in Australia trying to give birth to another novel, depressed by the knowledge that in terms of sales she has nowhere to go but downwards after *The Thorn Birds*.)

Booksales here are slow but reportedly not too disastrous. Halespoke volumes of despair about the business in the United States.

Mary Martin off market

THE Mary Martin Bookshop in Lorne Street, Auckland, closed after 22 years of trade in a very individual, up-market, cut-price range of stock, called from publishers round the world.

The range will be offered to booksellers throughout the country through a new company, New Zealand Book Wholesalers.

Andrew Brookes, manager of the Mary Martin shop throughout its existence, will sell nationally for Book Wholesalers.

Mary Martin Bookshops Pty Ltd was started in Australia by hard-case journalist and broadcaster Max Harris, who romped the world picking up bargains from publishers -

mainly books above the popular level of the market - and sold them at heavily cut prices through his six shops in five Australian cities.

Harris was bought out by the publishing multi-national Macmillan. He still buys on world-ranging trips.

The shop here opened in November 1977 to a storm of protest from orthodox booksellers, and some publishers, worried about the low prices for expensive books which would somehow find their way into Mary Martin stock.

Harris occasionally managed to pull off special deals with new books, such as *The Annotated Shakespeare* by A.L. Rowse. His limited supply sold in Australia (and a few through Mary Martin in Auckland) at just over half the full retail price.

The shop gradually became accepted in the Auckland market and even stocked some new books from local publishers and some remaindered books picked up from local remainder sources.

The decision, taken in

Australia, to close the Auckland outlet, has not specifically been given. The feeling is that turnover here never matched the kind of performance of the Australian shops. The plan is to increase the volume of sales by regularly offering stock to any New Zealand bookseller who wants to buy. How many will be able to swallow their antipathy, and keep it down, remains to be seen.

Before the shop closed in late April, there was a sale with some staggering prices - 50 per cent off some books already marked well below the full retail price.

Lithophiles will regret the passing of a bookshop in Auckland with such a distinctive stock - but it may not be for long.

Brookes said he and his wife will soon open a shop to feature the Mary Martin range. Where? "In bookellers' row," says Brookes referring to the High Street/Lorne Street/Victoria Street/Lane region of the central city which now has nine new or second-

hand shops within 100 yards, and backs onto the city block in which Whitcoulls resides.

Literary agency survives well

NEW ZEALAND's first literary agency has survived its first couple of years and expanded.

Former publisher at A H and A W Reed Ltd, Ray Richards, has more than 80 authors and aspiring writers among his clients.

He has now formed the Butler/Richards Agency with Auckland bookseller Dorothy Butler to act for authors and illustrators of books for children and young people.

Butler, a specialist retailer of children's books on Auckland's North Shore, is an accomplished writer herself.

The two agencies offer independent advice to local writers and a measure of protection from publishers with unethical contracts. They put the best construction on unrewarding arrangements entered into by some writers who badly wanted to be published.

Richards will be involved in a new novel by Wellingtonian Fiona Kidman, tentatively titled *Mandarin Summer*. Kidman's *A Breed of Women* did well last year.

An Auckland schoolteacher, Graeme Lay, made an impression with his first novel, *The Mentor*, and has another coming up soon: *High-Rise*.

Typographer, poet and humorist Dennis Glover is revising his *Hot Water Sabotage*, published after the Second World War, and has added some new material to bring out *Lapland Hobbies*.

A book I am specially looking forward to is *Gung-Ho* a full-scale biography of Rexi Alley, an expatriate New Zealand in China for 50 years, by former *Listener* writer Geoff Chapple.

A member of the Phase Three Films team that spent a couple of months in China with Alley last year, Chapple is a compelling writer with wide-angled perceptions.



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Aviation technicians' strike threat sets scene

by Ann Taylor

AVIATION technicians threatened strike action sets the scene for the impending debate on the introduction of "new technology".

The action has been deflected by the formation of a working party of State Services Commission, Public Services Association and Ministry of Transport officials to investigate the situation.

Civil aviation telecommunications technicians said they would refuse to service non-commissioned new equipment unless the SSC allowed them to service the new AFTN (Aviation Fixed Telecommunications Network) scheduled to come on-stream in August.

The SSC has a traditional policy of using the vendor or vendor's arrangements to maintain its computers. It ex-

ercises a preference for private-sector interests.

Standard Telephones and Cables' successful sale of AFTN to the SSC left the company in the running for the maintenance contract.

The technicians agree that more skilled work is required on the AFTN but maintain they should be retained.

They want to be retained particularly in the software programming area, where faults outside STC's maintenance contract might occur.

The technicians were offended by the implied shut on their ability to handle the new equipment, said the group's PSA representative, Dennis Asher.

Thirteen of the 15 technicians employed on existing equipment could have other jobs in aviation, but two would have been left out in the cold.

Although a strike action has been deferred, the heads of agreement reached by the technicians, PSA and the SSC and the formation of the working party are only a stop-gap measure and simply deferred strike action, said Asher.

The SSC remains opposed to the proposal that "A training programme meet MOT's expense in the skills required for the full servicing of all components of the AFTN computer system being installed."

But the threatened strike, the first to be entirely related to the introduction of "new technology" in New Zealand, has been deflected by the SSC's agreement to negotiate the following heads of agreement by June 30.

These aspects of the agreement might be the forerunner of many such negoti-

tions over the next few years:

- PSA participation in a fact-finding basis in the SSC/MOT working party to review MOT's future telecommunications technicians requirements;

- Agreement that, as a general principle, every effort will be made to place in suitable alternative employment persons displaced as a result of the introduction by MOT of new technology;

- A long-term MOT-funded retraining programme, including salary maintenance for civil aviation telecommunications technicians whose jobs and skills are changed, but not eliminated by the modernisation programme;

- A redeployment package within the public service for other telecommunications technicians who are not

required or are not considered suitable for retraining in MOT telecommunications;

- Pay negotiations in terms of the State Services Conditions of Employment Act 1977 covering, as appropriate, new salary rates, allowances and rising payments for new skills and responsibilities flowing from introduction of new technology;

- New health and safety standards as and if appropriate;

- Prior notification to the association and the telecom-

munication technicians of the introduction of any further new technology or significant new equipment;

- Involvement by telecommunications technicians in the proposed organisation and structure of any new work in the modernisation programme.

The working party has already looked at the situation in Wellington and Auckland.

It has yet to investigate Christchurch, MOT's Wellington head office and other airports like Ohakea.

Bolger deflates job-loss argument

DEFLATING the job-loss argument, Labour Minister Jim Bolger said seminars and conferences on the "new technology" might become one of the great growth industries of the 1980s.

Opening "Picking up the chips - the microprocessor challenge in New Zealand", a seminar attended by 350 people at Victoria University early this month, Bolger's address continued in an optimistic and laudatory fashion.

"New technology will be a key to faster economic growth and the production of a wider diversity of products and services which will create job opportunities", he said before outlining the methods of introduction he would like to see here.

He identified three possible strategies that New Zealand might adopt in response to the impact of technological change.

The first, a mechanism to control the rate of introduction and criteria which match national priorities and have union and industry agreement, implied an elaborate and slow procedure which would "lead to slower investment, slower economic growth and loss of international competitiveness."

"It also implies a capacity for detailed planning in this area which I don't believe exists," Bolger said.

The *laissez-faire* approach implied a "disinterest by Government... which is incorrect".

Bolger preferred a third approach - "one that contains an element of compromise." "It would seek to minimise the adverse effects of technological change by positive action, rather than negative controls," he said.

"It would foster employment growth and ease the adaptations necessary in the labour market... It would require the promotion of innovation by encouraging investment and developing employer awareness of opportunities presented by modern technology."

"This approach is the most appealing, given that the primary objective of policy is to encourage the productive investment needed to maintain international competitiveness."

Bolger warned against the hindrance posed by lack of enterprise by employers and/or unco-operative attitudes by employees.

The Labour Party appears to be heading in a different policy direction with regard to the "new technology."

Remit 11c at the party's annual conference stated the Labour Government would ensure that the financial

benefits from the introduction of new technology were controlled by the community, not by the private sector.

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Tool that fired the fax of Muldoon's stomping

by Peter Isaac

FACSIMILE transmission had the best endorsement any product could have - it helped a party win a general election. But commercially, the market remains cautious.

Facsimile transmission was a key office products tool - in the National Party's 1975 landslide.

Minister-to-be Robert Muldoon used it so that facsimile press clippings were beamed to him throughout the country.

Even in Taumaranui, he beamed picture-clippings of gales from all the papers. The important thing was that the picture, and the prominent given this report, were transmitted.

The Labour Party did not have a photocopier at the time in its Auckland headquarters.

Facsimile transmission means sending a copy of a document from one place to another over a telephone line. The technology has existed for almost a half a century. Its first, and major application, is in sending newspaper "wire" photographs.

Fax comes into its own with the transmission of documents and diagrams when the layout of the document is as important as the information it contains.

NZR uses it for transmitting freight documents. Constructors use it for plans and diagrams.

International management guru Peter Drucker believes that fax has made the postal service logistics behind transporting a gram of ink under the stamp/paper delivery system hopelessly outdated.

There are no more than 400 facsimile machines in use



Rob Muldoon... beamed press clippings

here, most of them from Rank Xerox, the people who gave Muldoon his edge on electioneering information.

Why has facsimile transmission been so muted? The answer is that fax from the

outset became totally overwhelmed by the small computer.

Firms that might have been in the market for fax were busy scrapping all their cash together to buy a computer. Fax came

far down the line - especially as, like a computer, there is a 50 per cent in penalty taxes and duties to pay on it.

An office can equip itself with a general purpose fax set up for less than a computer feasibility survey. The Rank Xerox 400 for example sells for a mere \$1700.

It can transmit one A4 page every two minutes. An executive can have a talk over the phone long distance and then within the minimum charge time frame, send out a page of A4 information.

One of the problems with fax, as with so many office procedures in New Zealand has been the horror of working after office hours. A sensible way to use fax is for one person to stay on and transmit all documentation on the Post Office's night rates.

Rank Xerox is standing by now to launch its latest fax device that will double transmission speed to an A4 page in under a minute.

At the same time, Rank Xerox finds itself competing with itself to some degree as it promotes its own Xerox 850 word processor that transmits information - character-by-character and station-to-station. It will not transmit photos, documents, and diagrams.

Fax poses a threat to the courier industry, specially in transmission of advertising agency mock-ups, and architectural plans.

At one stage it seemed that fax would pose a problem for the telex - but the word processor cut in instead.

The market shift now seems to be toward networking fax, so that common users can use it in much the same way as they use a telex today, but shuffling images around.

Participating in growth

BUSINESS equipment industry growth worldwide might overhaul the energy industry in terms of gross turnover before the end of this century.

How can New Zealand participate as a producer rather than a consumer?

There are two powerful reasons why nothing more complex than office furniture is made or assembled here.

The first is the small local market and the second is the high cost of production.

The small local market problem remains, but production costs are tumbling along with GNP in relation to other countries - potentially overcoming the second problem.

The biggest locally-owned company involved in business equipment production is Forest Products with a controlling interest in the OTC company which specialises in the Rolosan filing system which has enjoyed some success on the export market.

The biggest company involved exclusively with business equipment is Armstrong and Springhall which acts as a distributor and service organisation for imported products.

The biggest company internationally in business equipment here is of course IBM. This company has a medium size reconditioning centre at Naenae which services components for subsidiary companies in South East Asia.

Medium to high technology business equipment manufacture here has a market leader in the small Auckland firm - Integrated Circuitry, which makes almost complete communications modems for the Australian Datacraft company.

The State is doing its bit to push the country into upstream manufacturing through the Development Finance Corporation which has unstintingly pumped cash into three or four very small companies trying to get a foothold into the market.

Two years ago Computer Consultants mooted a scheme to manufacture terminals here, but it never got past the talking stage. Terrified importers suddenly saw their huge penalty tax burdens

zoom even further skyward to protect a fledgling local industry.

The largest manufacturer of medium to high technology business equipment is the Marton firm, Production Engineering, which has been successful overseas with its digital measurement systems. The company was invited to tender for the huge 1 MB terminal contract.

Endless squabbling over the NAFTA agreement appears to be working against the most economic New Zealand upstream manufacturing opportunity - namely, a commonwealth supply industry such as the one run here by the Ford Motor Co.

Lurking behind the issue is the inevitable question of protection at a time when nominally the Government has committed itself to cutting loose from offspring that refuse to grow up and walk of their own accord.

In Britain, the sword of the Thatcher Government is poised to cut loose a raft load of high technology firms funded by the Labour Government.

OFFICE STAFF PAID MORE IN WELLINGTON

Firms in Wellington generally pay higher basic salaries to office staff than do those in other centres. This is the conclusion reached from the latest PA Greenwood Salary Survey just released.

The Survey includes 26 of the most common job functions found in offices. In the majority of cases the Wellington salaries exceed the national average and in some cases are as much as 12% higher.

Auckland leads the way in salaries in two areas, Confidential Secretaries and Payroll Clerks and Physicists.

The Survey does not include salaries paid to government employees.

Further information on the survey is on Page 4 of this issue.

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SILK de CHINE: YOUR FIRST CLASS TRAVEL PLAN.

CNG opens escape route out of oil trap and a chance of reaching economic salvation

by Erich Gairinger

IF the analysis in my previous article is substantially correct, New Zealand stands in desperate need to become self-sufficient in transport fuel within — not after — the next five years.

From a resource, technological and logistic point of view, this is still possible — although the political will and wisdom to do it will probably not be forthcoming.

The neglect and mismanagement of past years drastically narrow our options and make it unnecessary to consider some of the more sophisticated and desirable means by which self-sufficiency could have been achieved. These will have to be deferred or, at best, phased in slowly on the sidelines.

The only resource which could be mobilised with sufficient speed to give us

self-sufficiency by 1985 is compressed natural gas.

We have more than enough natural gas, to cover our transport needs for the next 30 years and bridge the gap separating us from a renewable transport energy base.

Using natural gas in the form of CNG is the only way in which substitution for petrol can be achieved with sufficient rapidity.

CNG does not need the planning and financing of complex industrial projects which take years to complete. But it can be used only where gas is reticulated and this would restrict its adoption, meanwhile, to the North Island.

The South Island, with about one-third of all motor vehicles but probably less than one-third of transport fuel consumption, could be largely supplied with indigenous condensate and LPG which

would become available in greatly increased quantity if CNG is adopted on a large scale.

Even during the short five years available for this exercise, the South Island however, could and should become the proving ground for the more advanced and renewable fuel solutions of the future.

CNG has many advantages, a few inconveniences and only one big disadvantage: the oil companies can't get their hands on it and make a profit out of it.

Once Shell-BP-Todd have taken their cut and it comes out of the pipeline, all you have to do is squeeze it into your car. No oil merchant can squeeze in between — and that, no doubt is why progress has been so slow and desultory.

The advantages of CNG over petrol are so over-

whelming that to list them would be to produce startled disbelief.

It is impossible, you would say, that with these advantages any sane planning body could have failed to make CNG their first choice. Where is the snag?

One disadvantage of CNG is a reduced range between refuelling stops. For town driving this is unimportant; on a long-distance drive you may have to stop every two hours (which, in many cases would be a good thing anyhow).

If for some obscure reason this is thought to be intolerable you can simply switch to petrol, since all CNG vehicles, for years to come, will have a dual-fuel system. So this snag is no snag at all.

Because CNG burns with a

slower flame than petrol, there is a loss of power of about 15 per cent. This can be an occasional nuisance, which is offset by improved engine performance in other directions. Jonathan P. West summarises these problems:

"Unless the vehicle is under load, and climbing, the power loss is not obvious and does not cause any driver inconvenience. CNG operation eliminates cold starting difficulties and the engine note is definitely sweeter. There is a noticeable improvement and smoothness in accelerating from a standing position, although the acceleration time is longer."

"Initially, CNG vehicle drivers were dissatisfied with these matters, and particularly with the reduced vehicle range and the consequent need to refuel more frequently than was required with petrol vehicles. However, this initial resistance has dissipated as drivers have become used to the system. Whilst refuelling is a regular occurrence, the refuelling process is ridiculously simple, and takes no more than a couple of minutes."

Contrasted with the dire consequences of continued dependence on imported petrol and the great economic and other advantages to be derived from the adoption of CNG (amounting to no less than the difference between prosperity and bankruptcy) — these so-called snags and disadvantages are insignificant. In the context of our national fuel crisis, they are trivial.

*Goals & Guidelines: Proceedings of seminar on transport fuel for NZ, Ministry of Energy, 1978.

The real stumbling block, they will tell you, is the cost of converting our cars to CNG (quoted at about \$1000 per vehicle).

If we expect the owner of every clapped-out buggy to strip up a thousand bucks only to find that there isn't anywhere to fill her up with CNG, then we are expending too much. But this situation entirely the making of a constructive and foolish Government.

First, the so-called cost of \$1000 is made up of more than half by import and sales tax. Abolish these disincentives and you need the money for equivalent amount of petrol vehicles) and your conversion costs only \$500.

Second, there are no conversion costs when you buy your dual-fuel car new from abroad. And since we import 60,000 new cars every year, why not see that most of them are imported over the next few years have the CNG fittings.

This can be done through licensing or through differential import duties, both.

Third, if it is in the national interest to spend more than \$1 billion on Marsden, Ma and Albertas, then there is no reason why a Government should not pay for the conversion to CNG of private cars.

The 25 per cent subsidy which the Government now to commercial la which convert to CNG is inadequate if rapid progress towards self-sufficiency is to be achieved.

We need 100 per cent subsidy for private cars.

Since we are already committed to a costly and ineffectual synthetic petrol scheme to cover one-third of petrol and another one-third of petrol in the South Island

the east coast up to Gisborne. If these plans are on time, and they should be, first priority, points at which natural gas can be compressed will be available all over the North Island by 1982.

Compressor units are sold by a number of countries (Britain, Japan, Italy). If contracts were placed now, they could be delivered and waiting at their points of installation well before the end of this year.

Cost? One thousand points of distribution would make a provision for the North Island. The large compressors and holding tanks needed for these points would cost, at a generous estimate, \$100,000 each, adding a maximum of a mere \$100 million for the complete distribution system.

In foreign exchange savings, the whole \$350 million for conversion and distribution would be recovered in less than three years and in real savings on the difference in the price of CNG and petrol in less than four years. There are no financial snags.

From an investment point of view, the CNG option is the least risky, the most rewarding and hence any other options. It has been neglected because of the constitutional mental block of bureaucracy against decentralised solutions and the strong influence on Government thinking of the vested oil interests.

Ordering and obtaining the compression units is the first step. Next come negotiations with service stations and other suitable agencies.

These will be considerably facilitated by the fact that the Government will foot all the bills. But suitable service contracts will have to be negotiated in exchange for a long-term guarantee of a stable CNG price.

There is no reason why, for the next 10 years, this could not be around one-third of the present price of petrol.

The actual installation of 1000 compressors over the next five years (four a week) should hardly strain our collective technical capacity.

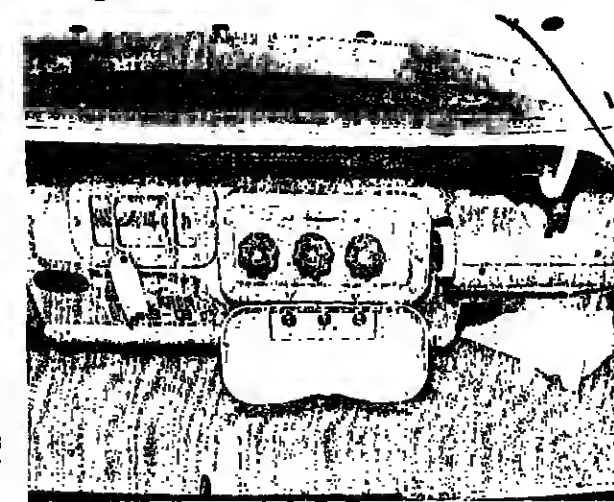
Some logistic problems might be expected with the conversion of 100,000 vehicles a year.

While the hooking up of the conversion units is not a very

complicated job, some national co-ordination and standardisation of procedure probably will be necessary.

The total of 100,000, of course, can be significantly reduced by seeing that the majority of imported new cars have the dual-fuel system.

Even if only 250,000 such cars are imported a year, and reckoning 250 working days to a year the quota of conversions each working day would be only 300. That should not be too much for the work force



Conversion to CNG... oil merchants grip the prized option

Summary

WHILE the big industrial nations have a total energy problem, New Zealand has only a transport fuel problem.

This was quite clear from 1973 onwards, but New Zealand Government wasted more than \$1 billion on unnecessary electricity projects and did nothing towards solving our dependence on imported transport fuel.

During these years the mounting oil bill was largely paid for by borrowing from abroad.

The Government is now changing this policy to one of finding money for the oil bill through foreign investment — that is, through selling of New Zealand resource, New Zealand Independence and New Zealand products.

Unless we reduce the real size of our oil bill, this policy will have as little economic benefit to New Zealand as the previous policy of borrowing money.

The energy plan of the present Government, even if fully implemented on time, will leave us with a bigger real oil bill in 1985 than we have now.

By 1985, however, it will be too late to prevent the disastrous political and economic effects of this continued dependency on imported oil.

The rapid conversion of our motor vehicle fleet to the use of CNG is a practical, cheap and technologically easy means of rectifying this dangerous position.

The only thing which stands in the way of this solution is the stupidity of our energy planners and, more particularly, the fact that much of our energy planning to all intents and purposes, has been handed over to the oil companies whose self-interest prevents them from supporting solutions which will lead to rapid self-sufficiency.

Complicated job, some national co-ordination and standardisation of procedure probably will be necessary.

Even if only half that work force were to be eligible they would be required to do no more than one conversion per worker every three weeks.

If necessary, one could relax warrant of fitness requirements for the next few years

to free some labour for the job of conversion.

Thus, without commercial risks, emergency powers, planning tribunals, and all the other rubbish which clutters up the minds of our planners, we could achieve twice the amount of substitution in half the time at half the cost with twice the profit — a 16-fold increase in planning efficiency.

Surely, it is easier and better to convert and import 500 cars per working day to CNG and thus top \$2 million off our fuel bill with every week that passes than to sit for five years biding our nails and wondering whether anybody will buy our methanol or whether the Mobil process will turn out all right.

I am not some kind of CNG freak. If rational energy policies had prevailed after 1973, the use of CNG as a transport fuel would have played only a modest role.

Electrification, modernisation and extension of the railways to take care of long-distance haulage; relocation of jobs and revitalisation of city centres to get rid of commuters; electrification of town transport; small-scale energy farming — these and similar projects would have been much more worthwhile and could by now be sufficiently advanced to make the use of CNG of comparatively little importance.

The inertia and foolishness of Government, however, has deprived us of these opportunities to tackle the transport fuel problem at its roots. With time running out CNG remains the only trump card in our hands which can be played in time to save New Zealand from certain disaster and preserve a New Zealand way of life.

There are intrinsic advantages of CNG which, even without the financial and planning factors, would incline reasonable people to its adoption.

CNG is a much more efficient fuel than either petrol or methanol. Being a gas, it burns completely. This confers on it a 10 to 50 per cent energy advantage over petrol. Because it burns cleanly and completely, it saves wear and tear on engines and spark plugs and there is a significant reduction in the use of oil with CNG-driven cars.

Pollution of the atmosphere from CNG vehicles is reduced to negligible proportions, compared with petrol-driven cars.

This switching over to the use of CNG confers the additional bonus of getting rid of the atmosphere pollution from motor cars which is becoming an increasingly serious problem, particularly in our cities.

CNG is safe. Its toxicity is much lower than that of methanol or petrol and because it is lighter than air dangerous accumulations do not occur.

It is much less inflammable and/or explosive than either petrol or methanol or LPG.

In addition to being cheap, indigenous and readily available without the intervention of middle men or technological processes, CNG therefore would give us greater efficiency, freedom from pollution, safety and considerable saving on the maintenance and replacement of cars.

CNG could get us out of the oil trap in no time at all and turn our economy around towards recovery in a way in which nothing else could — not even a major oil strike.

But there is nothing the people of New Zealand can do to adopt CNG. Unless the Government agrees to spend the \$100 million on putting in points of distribution, CNG will remain inaccessible to the ordinary motorist — even if he were willing to spend \$1000 on the conversion of his car.

And so, we are drifting helplessly and more rapidly with every passing day towards the not-too-distant point of no return when our chance to escape the dreary fate which awaits oil dependent nations will have vanished for ever.

IBM IBM New Zealand Limited

26 May 1980

WORD PROCESSING BRIEFING

ENDS AND MEANS: When you come to evaluate the potential benefits of Word Processing in your business or your organisation, it will be best for you to distinguish between ends and means.

The rate at which office technology is developing is unbelievable, even to people working close to it. Equipment which is the very latest thing today may well be overtaken by more powerful and more economical equipment a year or two from now. So, how can you, on the one hand, get the maximum benefits from WP technology but on the other, protect yourself from equipment obsolescence? There are three ways:

1. Keep firmly in mind that Word Processing is the means whereby people and equipment are brought into a fruitful partnership. If you start with the assumption that WP focusses exclusively on machines — however clever they are — you will be forever wedded to technology as the "be-all-and-end-all".

Try this questionnaire:

- (a) **GOALS** — what are my goals? Cost avoidance? Service to authors? Service to clients?

Rule 1 is "Goals must be identified and (where possible) quantified".

- (b) **STRATEGIES** — how am I to achieve my goals? Total centralisation of WP facilities? Limited centralisation? No text-editing equipment at all — just golf-ball typewriters and smoother workflow procedures?

Rule 2 is "Strategies must be goal-oriented".

- (c) **IMPLEMENTATION** — what are the practicalities of putting into effect the strategies? Cash flow? Building alterations? Staff training? Equipment Selection?

Rule 3 is "Plan the implementation".

- (d) **CONTROL** — how will I know that I am achieving — and will continue to achieve — my goals? Sample author attitudes? Cost-analyses of the entire secretarial structure?

Rule 4 is "Never let a system free-wheel".

2. Plan the obsolescence of the equipment yourself. You know it will happen, so anticipate it. IBM's Word Processing equipment is available on outright purchase or on IBM's Installment Payment Plan, or on 2 or 3 year leases or on short-term rental. This allows you to plan, months ahead of time, graduation to more advanced equipment as it comes along. This is part of the CONTROL function mentioned above.
3. Never assume that "Now I've got Word Processing I can sit back and forget about it". You can't — and you don't manage other resources this way. Detail someone in your organisation to keep up to date with the WP industry and to keep in constant dialogue with your WP vendor — and other vendors too.

IBM will help you in all of the above and, by the way, we sell a superior range of equipment suitable for Word Processing. As if you didn't already know!

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